

en call cuts

Argentina	25.80	Indonesia	10,700	Poland	10,700
Australia	10,700	Iran	10,700	Portugal	10,700
Belgium	10,700	Israel	10,700	Spain	10,700
Canada	10,700	Italy	10,700	Sweden	10,700
Denmark	10,700	Japan	10,700	Switzerland	10,700
France	10,700	Korea	10,700	Taiwan	10,700
Germany	10,700	Malaysia	10,700	Thailand	10,700
Greece	10,700	Norway	10,700	UK	10,700
Hong Kong	10,700	South Africa	10,700		
Ireland	10,700	USA	10,700		
Italy	10,700				
Japan	10,700				
Korea	10,700				
Malaysia	10,700				
Norway	10,700				
South Africa	10,700				
Spain	10,700				
Sweden	10,700				
Switzerland	10,700				
Taiwan	10,700				
Thailand	10,700				
UK	10,700				
USA	10,700				

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EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

GERMANY

The push for a  
federal Europe

Page 3

Tuesday November 26 1991

£ D 8523A

## World News Business Summary

### Yugoslavs accused of torture and murder

All sides in the Yugoslav civil war were accused of torturing and murdering civilians not actively involved in the fighting. Amnesty International, the London-based human rights movement, made the accusations in a 14-page report. Page 20

**BCCI in Nigerian deal**  
Nigeria's state-owned oil company negotiated a secret \$1.25bn loan facility with the Bank of Credit and Commerce International in a deal the Lagos government has denied. Page 20

**Martens as caretaker**  
Belgian prime minister Wilfried Martens agreed to head a caretaker government after an election in which his coalition lost ground. Page 20

**Soviet sea dumping**  
The Soviet Union secretly dumped nuclear waste in the sea off its northern coast for over 20 years in contravention of an international agreement, a member of the Supreme Soviet claimed. Page 2

**Blow to Gorbachev**  
Leaders of seven Soviet republics failed to agree on a treaty for a looser political union, dealing a blow to President Mikhail Gorbachev's efforts to stich together a new confederal state. Page 2

**Airliners collide**  
More than 270 passengers had to leave two airliners after they collided on the ground at Heathrow airport, London. No one was hurt and damage to the British Airways Boeing 757 and the Swissair A310 Airbus was minimal. Page 23

**Electric cars tax-free**  
Germany will exempt electric cars from vehicle tax for five years as part of a drive to encourage development and use of low-pollution vehicles. Page 22; Lex, Page 20

**Jordan death sentences**  
Jordan sentenced eight Moslem fundamentalists to death for planting car bombs, attacking a bank and setting fire to a liquor store and a nightclub. Page 7

**Tajiks elect hardliner**  
A hardline leader who staged a communist counter-coup in the Soviet central Asian republic of Tajikistan nearly three months ago is poised to become president of the republic. Page 2

**Italian poll jolt**  
The Lombard League, a local autonomy movement, joined the supremacy of Italy's Christian Democratic party in Brescia, taking nearly a quarter of the vote. Page 2

**UN salary crisis**  
The UN, facing its worst financial crisis, will be unable to meet staff salaries next month unless wealthy member states such as Canada and the Nordic countries pay their 1992 dues long before the required date. Page 4

**Chaos in court**  
The trial of an Egyptian lawyer over a banking scandal, adjourned in chaos in Cairo after rival legal teams screamed abuse and scuffled in court. The judge left quickly through a rear entrance. Picture, page 4

### Changes to the London Share Service

FTSE 100	2,456.2 (+0.9)	FTSE 250	2,456.2 (+0.9)
FTSE 100	2,456.2 (+0.9)	FTSE 250	2,456.2 (+0.9)
FTSE 100	2,456.2 (+0.9)	FTSE 250	2,456.2 (+0.9)
FTSE 100	2,456.2 (+0.9)	FTSE 250	2,456.2 (+0.9)
FTSE 100	2,456.2 (+0.9)	FTSE 250	2,456.2 (+0.9)

New, clearer presentation of London share prices starts today on pages 36-37. Shares have been reorganised into more logical categories. Typographical changes are shown every day.

Special four-page introduction to the changes, pages 31-34.

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## OECD cuts forecasts for US growth in 1992

By George Graham in Washington

THE sluggish US economy has forced the Organisation for Economic Co-operation and Development (OECD) to cut its forecasts for US growth, but the Paris-based grouping of industrial nations still predicts a recovery next year.

OECD economists expect the US economy to grow at an annual rate of 1 to 2 per cent in the last three months of this year, and to maintain the same slow pace during the first quarter of 1992.

Another quarter of negative growth is possible, OECD officials say, but a "double-dip" recession is unlikely. In an unusual acknowledgment that its forecasts have been overtaken by events, OECD officials have discounted the projections contained in its annual survey of the US economy, published today.

These projections, completed in September, showed growth of around 3.1 per cent in 1992. The OECD now expects growth

to be between 2 and 2½ per cent. Unemployment could rise slightly next year to over 7 per cent, and inflation is likely to be around 3½ per cent.

Officials said that the US economy had taken longer than expected to respond to cuts in interest rates; looking back, rates should have been cut by more and sooner.

The OECD report criticises the federal government for shifting its budget problems onto state and local governments. Although its forecast of next year's federal budget deficit is only slightly higher than the Bush administration's estimate at \$375bn, the organisation displays concern that the US might abandon the fiscal discipline imposed by last year's Budget Act.

It is also sceptical of the US administration's argument that economic growth has been slowed by a credit crunch making it more difficult for companies to borrow.

Although bank lending has slowed abnormally, the OECD says, overall credit from sources such as finance companies or the commercial paper market has tightened no more than is normal in a recession.

## Dutch offer olive branch to UK on EC social policy

By David Buchan and Ronald van de Krol in The Hague

MR Ruud Lubbers, the Dutch prime minister, yesterday offered Britain an olive branch in its fight to retain control over social policy.

Mr Lubbers also proposed a new formula designed to resolve differences between the UK and its partners on the controversial issue of monetary union before the summit on December 9 and 10.

Under this new formula, the clause which allows member states such as Britain to "opt out" of the social policy provisions of the Maastricht treaty would be weakened.

However, any weakening of this let-out for member states not wishing to proceed to the third and final stage of economic and monetary union would pose problems for Mr John Major, the UK prime minister.

Mr Major last week said his Maastricht negotiating stance to social policy was less than two weeks before the summit party in a two-day parliamentary debate on the basis that the UK would have a future say on adopting a single currency.

In an interview with the Financial Times less than two weeks before the summit which he will chair, Mr Lubbers also took a swipe at British politicians campaigning against the proposed political and monetary union treaty.

Referring to the outspoken opposition of Mrs Margaret Thatcher, he said it was wrong to equate "Europe with more



Brussels and UK win day on Emu sanctions, Page 3

ERM pressures boost Major's hopes, Page 8

Observer, Page 18

Lubbers - the builder of bridges, Page 18

be decided by unanimity". This, Mr Lubbers said, "could help the UK" which opposes the extension of majority voting in EC labour regulation.

Britain also argues that rigid, pan-European rules cost jobs. Mr Lubbers suggested yesterday that the treaty should require that changes in labour regulations be consistent with preserving employment.

The Dutch prime minister is heavily engaged in plotting his strategy to get all 12 EC states to agree on political and monetary union at Maastricht.

In particular, Mr Lubbers said he was analysing the idea of building sufficient "political flexibility" into the process by which the Twelve decide in the late 1990s on the final stage of economic and monetary union.

This potentially controversial approach appears to involve changing the Emu let-out clause in the current Dutch draft treaty. This clause offers any state the right to exempt itself from adopting a single currency. Some EC states fear this risks undermining momentum towards Emu and would prefer Britain to be forced to accept a let-out clause applicable only to the UK.

## Pinault deal keeps French control of Au Printemps

By William Dawkins in Paris

PINAULT, the French timber-to-furniture-retailing group, is to take control of Au Printemps, the stores and mail order company. The deal values Au Printemps, whose elegant main store on the Boulevard Haussmann is one of Paris's leading tourist attractions, at FF8bn (\$1.48bn).

The FF7.3bn purchase of a 49.5 per cent stake in Au Printemps is the largest of a recent series of takeovers in the French retailing industry and the most audacious bid to date by Mr François Pinault, one of the new breed of aggressive French entrepreneurs.

In accord with French takeover rules, Pinault will shortly make an offer for additional shares to raise its total stake to two-thirds. The offer will be at FF1.105 per share, the price at which Pinault bought its stake. Au Printemps shares closed at FF848 on Friday.

Brokers in Paris were disappointed that Pinault was not bidding for all of Au Printemps equity, as it would have

been obliged to do in the UK. The total operation will cost Pinault FF5.25bn and create a combined group with more than FF7.7bn of annual sales and 65,000 employees. Au Printemps reported a 41 per cent fall in net profit to FF317m last year on sales of FF28.2bn.

Pinault had been angling for more than two months to buy the block of shares from Maus Nordmann, a debt-laden Swiss holding group which hired Goldman Sachs, the US investment bank, to advise it. The bid took the market by surprise, however, since a representative of the Swiss group said only on Thursday it wanted to sell just part of its stake, prompting a sharp fall in Au Printemps' share price.

The sale agreement was signed on Friday evening, confirming that Pinault had beaten 10 other suitors, including the German retailers Quelle, Otto-Versand and Metro. Mr Jean-Jacques Delort, Printemps' president, said he rejoiced "that the offer of a

major French industrial group has prevailed in the face of foreign financial interests". Pinault was a little-known timber and paper group until two years ago, when it bought CFAO, an African trading company. It promptly sold CFAO's supermarket division for FF3bn, twice what CFAO had paid the previous year. In May, Pinault launched a FF4.4bn bid for Conforama, France's largest furniture chain.

The latest deal will lead to a big rise in debt - to FF14.5bn - for Pinault, which has borrowed the purchase price from state-owned Crédit Lyonnais. Mr Pinault said he could finance the deal to "within a few hundred million francs" by setting up a reverse takeover by Au Printemps for Conforama. Mr Pinault estimated Conforama was worth FF4.4bn. Mr Pinault said he did not plan to sell Au Printemps' main subsidiaries, La Redoute Catalogue, the mail order business, and Prisunic, the supermarket chain.



Respite: Ian Maxwell (foreground) and Kevin Maxwell arrive at the Chartered Insurance Institute for a meeting yesterday with 39 of their main lenders. The banks agreed to freeze repayments on £350m of loans to the Maxwells until December 20. Page 21

## Sterling's fall slows in Europe

By Jim McCallum in London

STERLING'S fall on international currency markets was slowed yesterday after the Bundesbank appeared to intervene in support of it. The pound came under early pressure because of disagreements over Europe in Britain's ruling Conservative party and worries that the UK economy is not pulling out of recession.

But sterling suddenly began to recover as speculation spread that the central banks of Europe, led by the Bundesbank, had come to the rescue. Sterling rose from about DM2.6375 to just under DM2.655

Market jitters.....Page 18  
Lex.....Page 20  
Currencies.....Page 42

tem before the Maastricht summit. Later, however, it emerged that the Bundesbank had only been buying sterling as part of routine commercial banking operations. Sterling weakened, eventually finishing lower at DM2.6475 from DM2.6500 on Friday, while its position as the weakest currency within the ERM remained unchanged.

Most currency analysts agreed that the Bundesbank eventually letting its presence be felt in case the D-Mark's strength put further strains on the ERM.

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STERLING New York \$1.7935 (1.7935) London \$1.7995 (1.7995) DM2.6475 (2.65) FF5.335 (5.3375) ¥230.0 (232.75) £ Index 90.6 (90.8)	GOLD New York Comex Dec \$358.3 (359.6) London \$359.0 (358.45) N SEA OIL (Argus) Brent 15-day Jan \$20.00 (20.225)	DOLLAR New York close DM1.5885 (1.584) FF5.428 (5.411) SF1.141235 (1.4088) ¥127.915 (127.85) DM1.583 (1.5655) FF5.4125 (5.42) SF1.4085 (1.411) ¥127.75 (129.5) £ Index 62.4 (62.6) Tokyo close 128.53	US RATES Fed Funds: 4½% 3-m Treasury Bill: 4.532% Long Bond: 10½% yield: 7.987%	STOCK INDICES FT-100: 2,456.2 (+0.9) FT-A All-Share: 1,165.34 (+0.2%) FT-SE Euroshare 100: 1,060.67 (+6.17) New York close: DJ Ind. Av. 2,902.06 (+0.87) S&P Comp 375.33 (+0.81) Tokyo Nikkei 22,868.69 (+248.7) LONDON MONEY 3-month interbank: 10½% (10½%) Life long GFI future: Dec 93½ (93½)
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## EUROPEAN NEWS

Centre-right group's nominee elected as parliament speaker

## Coalition pressure on Walesa

By Christopher Bobinski in Warsaw

THE long-running power struggle between President Lech Walesa and the Polish parliament took a fresh turn yesterday with the election of Mr. Wladyslaw Chruszczewski, the leader of a right-wing Catholic nationalist party, as the speaker of the newly elected parliament.

He was elected mainly thanks to the support of a five-party coalition of centre-right Catholic parties which has emerged from last month's elections as the main power broker in the fractured parliament of 25 parties.

Having won a tactical victory by electing their man as speaker, the coalition members are now pressing a reluctant Mr. Walesa to offer the premiership to their candidate, Mr. Jan Olszewski, a Catholic lawyer.

Mr. Walesa, who is empowered by the constitution to choose a premier and to dissolve parliament if a government cannot be formed within three months, has hitherto rejected Mr. Olszewski and wants to give a fresh mandate to outgoing Liberal party premier Jan Krzysztof Bielecki.

Last week Mr. Walesa appointed Mr. Bielecki not to resign but to seek a vote of confidence in parliament.

Despite the president's yesterday offering his government's resignation but will carry on as caretaker until a new government can be formed.

The coalition of five parties

backing Mr. Olszewski includes Mr. Bielecki's free market Liberal Democratic Congress party (LKD), but controls only 23 of the 460 seats in the Sejm (parliament), well short of a majority.

Mr. Chruszczewski, the new speaker, comfortably won election with 257 votes, thanks to extra backing from small Christian Democratic groups, most of the 27 Solidarity trade union deputies and businessmen who entered parliament on the Beer Lovers party ticket.

The new speaker may well find himself having to mediate in future clashes between the lower house of parliament, the Sejm, and the strong-willed president, who was contemptuous of the last communist-controlled parliament and does not want his presidential powers limited by the new one.

Mr. Chruszczewski is a 68-year-old, mild-mannered lawyer with close links to the Catholic Church hierarchy who spent six years in a communist prison in the 1950s and later advised Solidarity.

He now heads a Sejm which, despite its surfeit of parties, is dominated by deputies who favour right-wing policies of a free-market variety or more traditional Christian Democratic flavour.

The former communists control a mere 50 seats, while left-wingers rooted in the old Solidarity movement have scarcely more than 40.



President Walesa, with the oldest deputy, Aleksander Malachowski, behind him, addresses parliament

## Vandalism and conscription as Serbs crush anti-war movement

By Laura Silber in Belgrade

THE authorities in Serbia have prevented the emergence of an anti-war movement by branding those who oppose the fighting in Croatia as traitors and fascists.

Premises belonging to individuals and groups who have tried to campaign against the war have been vandalised by the supporters of the war and of the Serbian government.

As a result, any opposition has been completely cowed into submission, or has been socially and politically marginalised.

We are accused of fighting for peace at a time when the Serbs are being killed on the front," said Mrs Vesna Pasic, a sociologist from Belgrade, and a staunch opponent of the war.

"We are threatened. Any opposition to the war is tantamount to treason. We are accused of being fascists."

another peace activist said. Apart from the nightly anti-war demonstrations, the movement on the state-controlled television, the tiny anti-war opposition is also faced with political intimidation.

The headquarters of the anti-war movement in Belgrade was recently vandalised; a group of youths broke into the offices of the Reform Forces, a small, independent opposition political party; and the offices of Yutel, one of the few independent television networks in the country, were ransacked.

Yutel, which was set up by a group of anti-war activists, the federal prime minister, tried to report objectively on the war in Croatia. However, both Croatia and Serbia have blocked the station's transmission to their respective republics. "This is a co-ordinated action aimed at stifling any

public challenge to the war," said one peace activist.

More worrying for the opposition is the way in which the Serb-dominated federal army has been calling up what it calls "the little people" - opposition leaders from the smaller political parties.

Mr Nenad Cankic, head of the opposition Social Democratic League, was arrested this month and sent to the front. His supporters say the authorities wanted to see how far they could go in suppressing any public criticism of the war.

Despite the government's attempt to crush resistance to the war, Mr. Milos Vasic, a Belgrade journalist at Vreme, an opposition weekly, says his colleagues are armed with wooden sticks in case Vreme is attacked. "There is only one issue in Serbia and that is the war."

## Setback for big parties in Brescia

By Haig Simonian in Milan

ITALY'S autonomist Lombard League yesterday sent an ominous signal to the country's political establishment by finishing within an ace of the majority Christian Democrats in local elections in the northern city of Brescia.

The league took 24.31 per cent of the vote, while the Christian Democrats, who have governed the city since the second world war and whose squabbling in Brescia triggered the elections, saw their share slip to 34.41 per cent from 34.1 per cent in the previous local elections.

In raising its share by 4.21 per cent, the league appears to have overcome internal differences and attacks on its leader, Mr. Umberto Bossi.

The results also indicated a setback for Mr. Bettino Craxi's Socialists. While achieving their aim of overtaking the Party of the Democratic Left, the reformed Communists, the Socialists' 10.32 per cent of the vote was well below the 15.5 per cent scored in the previous communal elections. But Mr. Craxi said: "I don't think a few percentage points more or less in Brescia changes the political reality of the country."

Leaders of the big parties have called on voters to boycott the league, which has been portrayed as a racist grouping. However, apart from its hostility to Rome, the party's policies remain hard to pin down.

The Brescia vote appears to confirm that the league has capitalised on an opportunity for protest voting in northern Italy resulting from the transformation of the Communist party and the political changes that have taken place in eastern Europe.

## Tajiks elect hardline communist

By Gillian Tett in Dushanbe

A HARDLINE leader who staged a communist counter-coup in the Soviet central Asian republic of Tajikistan nearly three months ago has been elected president of the republic, according to preliminary results of Sunday's election.

Mr. Rakhman Nabiyev received 57 per cent of the vote, while his nearest rival, Mr. Davlat Khudonazarov, supported by the opposition Democratic and Islamic parties, won only 30 per cent.

The results, if confirmed, are a setback for the opposition's attempts to dismantle communist rule in the republic, one of the most conservative in the Soviet Union.

Opposition leaders yesterday launched an official protest, claiming the election had been rigged in some regions. Most of the election organisers, they said, had been supporters of Mr. Nabiyev and members of the Communist party.

Although the party was previously suspended, it is now to re-establish itself under a new name, according to officials.

As a crowd of angry young supporters of Mr. Khudonazarov gathered at his headquarters yesterday, opposition leaders said they did not plan to protest "except through legal means" and anxiously appealed for calm.

"It will be very difficult to create a stable situation now," said Mr. Kadi Abdur Dzhonjon, the Tajik Muslim leader who had called on Moslems to support Mr. Khudonazarov. "The election has left the population very divided."

Mr. Nabiyev, a former Soviet military officer, told reporters that he had evidence that secret terrorist organisations were active in Lithuania.

Speaking in the Lithuanian parliament - which is still fortified with sandbags and concrete blocks against possible attacks - he said that some of the groups were working to destabilise the government.

However, it is in Latvia that post-independence recriminations could turn even more bitter because of accusations of ethnic fraud. Although only a tiny minority of the 48 per cent non-Latvian population seems to have participated previously in the anti-independence com-

## Baltic ex-communists in dread of witch hunt

IN the centre of Riga stands a dark, unmarked building. Formerly the Latvian KGB's headquarters, it is now virtually deserted. Its files have been handed over to the Latvian justice ministry and its property divided between Moscow and the Latvian government.

But the question of what will happen to KGB agents in Latvia, or the other functionaries of the hated Soviet political system, seems unlikely to be solved as rapidly.

In the first two months since independence, the Latvian government, along with the other two Baltic states, has been successful in restraining witch hunts or political backlashes against its former enemies.

But there are signs that this could be changing as anti-communist recriminations, fuelled by fears of a hardline backlash, dog the Baltics' wobbly forays into parliamentary politics.

Last week, Lithuanian newspapers accused Mr. Virgilijus Cepelis, a political ally of President Vytautas Landsbergis, of being an important KGB agent. He denied the charges but radical Lithuanian politicians from the Sąjūdos party, nevertheless demanded that he and other accused KGB agents be banned from office.

In the same week, Mr. Arturas Paulauskas, Lithuanian chief prosecutor, told reporters that he had evidence that secret terrorist organisations were active in Lithuania.

Speaking in the Lithuanian parliament - which is still fortified with sandbags and concrete blocks against possible attacks - he said that some of the groups were working to destabilise the government.

However, it is in Latvia that post-independence recriminations could turn even more bitter because of accusations of ethnic fraud. Although only a tiny minority of the 48 per cent non-Latvian population seems to have participated previously in the anti-independence com-

munist-backed Interfront group, many non-Latvians are nervous that anti-communist recriminations could take on an ethnic flavour.

"If we are left alone, then everything will be quiet," said Mr. Edmunds Johansons, head of the Latvian KGB, who is presiding over the closure of the KGB headquarters. After 30 years of KGB service, he says that like "most of his colleagues" - allegedly 2000 in all - he intends to go into business.

"But if the radical nationalists get more power, then things could quickly be very different," he adds, pointing out that the presence of 25,000 retired Soviet military personnel in Latvia is a factor that could "rapidly complicate" the political situation.

## Ethnic factors could make recriminations especially bitter in Latvia, writes Gillian Tett

Under the citizenship bill passed at first reading by the Latvian parliament last week, the category of people denied Latvian citizenship includes recent immigrants, retired Soviet military officers and "those who have been spreading chauvinism, fascism, communism..."

Although it is unclear what the implications of this would be in practice, the bill has provoked the Latvian rights group, Helsinki Watch, into sending a letter to the Latvian government in which it claimed the bill "violated the spirit of the CSCE (Conference on Security and Co-operation in Europe) and 'compromises the process of co-operation and peace'."

A western diplomat based in Riga recently commented that "the time is soon coming" when European countries might lodge a

formal protest. Mr. Andrejs Pantalejevs, chairman of the Latvian parliamentary commission on ethnic rights, says these allegations come from a "lack of knowledge and understanding" of the Latvian situation.

As Latvian leaders point out, so far the only action to have been taken has been against Mr. Alfred Rubiks, the much disliked former communist leader. He has been held under arrest, along with six of his colleagues since August, and is due to be tried next spring.

"The Latvian people just won't understand if we let people like him go free," said Mr. Janis Skramins, Latvian chief prosecutor, who strenuously denies that he is being held simply for his communist affiliation. The reason for his arrest, Mr. Skramins says, was his role in the National Salvation Committee which attempted to seize power in January, and his links with the KGB's Interior Ministry troops believed responsible for most of the deaths during Latvia's independence struggle.

However, the radical wing of the Latvian Popular Front, the dominant political coalition in Latvia, is demanding that all other former Communist party officials should be removed from political office for five years - a move that would bar Mr. Anatolijs Gurbonovs, the current president and ex-communist, and much of the existing cabinet.

The proposal has not been officially endorsed. But many Latvians are angry about the degree to which some former communists seem to have retained power and profit financially from Latvia's attempted market reforms, particularly the so-called "spontaneous privatisation" that is occurring.

If economic conditions continue to deteriorate rapidly, it is a perception that could become increasingly widespread - and bitter - this winter.

## US cool on debt relief for Soviet Union

By Lionel Barber in Washington

THE US remains unwilling to offer more than technical aid and temporary debt relief to the former Soviet Union until the republics work out their own political and economic union, coupled with a credible reform programme.

These hopes have all but evaporated as central authority in Moscow has dissolved and the Ukraine prepares to vote for full independence in its referendum next Sunday. Equally important, the mood in the US has swung even more strongly against foreign aid, making it almost impossible for President George Bush to press the cause of direct financial aid.

This will disappoint the Russian republic, which would like

more western support for its "Big Bang" approach to economic reform in the New Year when it plans to free prices and make the ruble convertible.

The Moscow debt package allows eight Soviet republics to defer repayment of principal on medium and long-term debt falling due until the end of 1992. Its chief merit is that it avoids a debt moratorium, with damaging repercussions for Soviet (and individual republics') creditworthiness, the Treasury official said.

He said the collective western judgment was that the Soviet liquidity crisis this year was temporary and could be resolved by deferring repayment of principal. If it was not

successful, a general debt rescheduling would probably have to take place, he said.

The second advantage is that it singles out the International Monetary Fund in the reform process, and links the deferral of principal to satisfactory progress on economic reform. Deferral of principal will only continue beyond March 1992 if such progress is made.

According to US calculations, the individual republics will have to pay around \$4bn in interest to commercial banks and official creditors in 1992, out of a total debt repayment of \$12bn. In 1991, interest payments are expected to run to \$4.5bn on total repayment of \$18bn.

## Moscow 'dumped nuclear waste illegally'

By John Hunt, Environment Correspondent

THE SOVIET Union secretly dumped nuclear waste in the sea off its northern coast for over 20 years in contravention of an international agreement, it was alleged yesterday by Mr. Andrei Zolotov, people's deputy to the USSR Supreme Soviet for the Murmansk region of Russia.

He made the accusation at a Greenpeace press conference in London called to coincide with the start of the annual meeting of the countries of the London Dumping Convention, the international agreement on marine pollution.

The Soviet Union is a signatory, but according to Mr. Zolotov it dumped at

least 11,000 containers of radioactive waste around the island of Novaya Zemlya, a nuclear test site north east of Murmansk, between 1954 and 1986. The latter part of this dumping was in breach of the 1972 convention and of its moratorium on nuclear dumping at sea which had been in force since 1983.

The matter was investigated by Mr. Zolotov, a chemical engineer, who said that the dumping consisted of waste from civil nuclear plants and from the Soviet navy.

He said some of the containers were buoyant because they had been hermeti-

cally sealed, and had to have holes cut in them, letting the water in, so they would sink.

He also said a reactor from the Lenin nuclear ice-breaker was dumped at sea close to the eastern shore of Novaya Zemlya at a depth of 40 to 150 metres, without the fuel being taken out.

Mr. Remi Parmentier, Greenpeace delegate to the meeting of the convention countries, said the Soviet Union should give a clear undertaking that it had stopped nuclear dumping at sea. "The credibility of the dumping convention is at stake," he said.

## Plan aims at expansion of private sector

## EBRD to help Bulgarian reform

By Judy Dempsey

THE European Bank for Reconstruction and Development (EBRD) yesterday unveiled a four-pronged strategy to speed Bulgaria's reform programme.

The strategy, agreed in London between the EBRD's board of directors and Mr. Ivan Kostov, Bulgaria's finance minister, is primarily aimed at expanding the private sector through foreign investment.

Investment will be channelled into privatising the state-owned industrial sector, upgrading the banking system, modernising agriculture, and developing the transport, tele-

communications and energy infrastructure.

EBRD was keen to stress that the upgrading of these four sectors was crucial for increasing economic efficiency, it said. Bulgaria would have to agree with the London Club group of commercial creditors on how to resolve the country's outstanding debt of \$3.2bn (\$4.5bn).

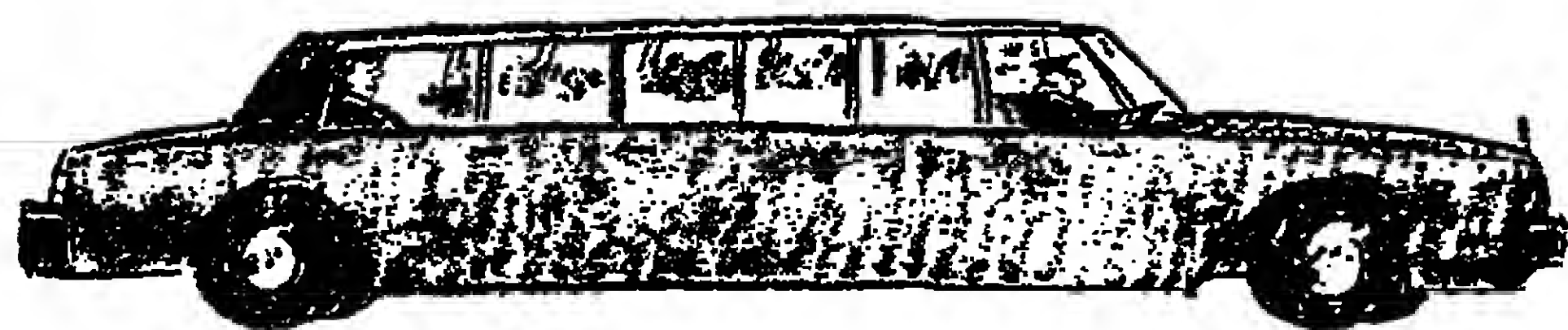
All credit lines from western commercial banks were cut off in March 1990, after the government imposed a moratorium on its principal and interest external repayments which totalled over \$11bn.

Agreement to reschedule \$2.5bn owed to the Paris Club, under which government-state debt is negotiated, was recently reached. The election last month of a new, non-communist government is likely to speed agreement with the London Club.

"The message the Bulgarians want to convey is that the new government is determined to press ahead with reforms," the EBRD said yesterday.

Bulgaria this year embarked on a monetary policy aimed at liberalising prices, curbing inflation, and reducing the budget deficit.

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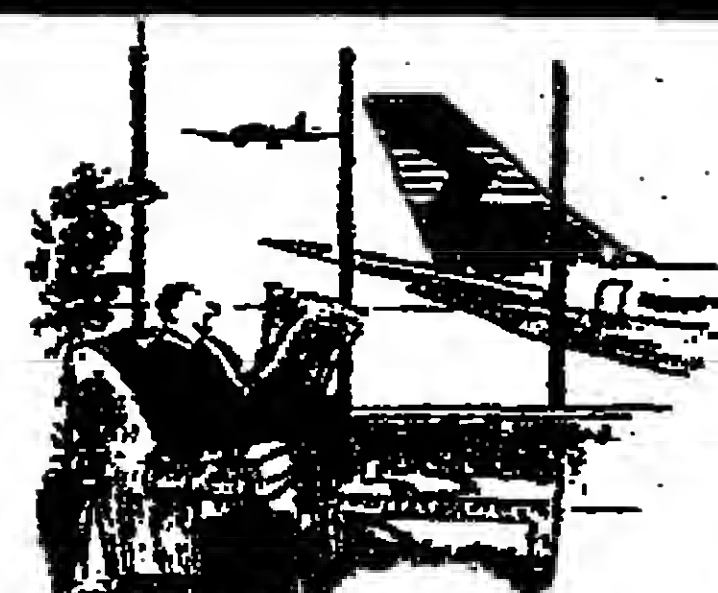
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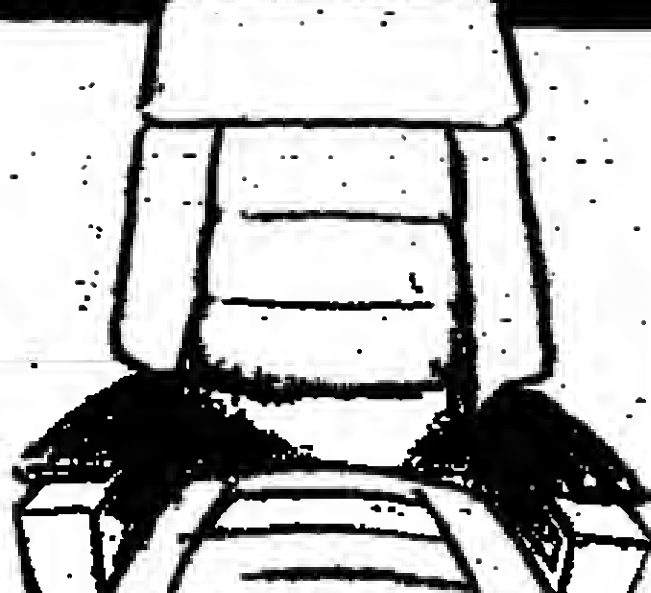
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## EUROPEAN NEWS

## Brussels and UK win day on Emu sanctions

By David Gardner in Brussels

AN UNUSUAL alliance of Britain and the European Commission appeared yesterday to have won the argument for looser sanctions on excessive budget deficits for EC states after economic and monetary union later this decade.

Britain's contribution to yesterday's finance ministers' meeting undermined the extent to which it is already arguing about conditions pertaining after Emu, while insisting on the right not to take part.

Mr Norman Lamont, Chancellor of the Exchequer, said that to insist on a budget deficit limit of 3 per cent of gross domestic product did not make economic sense in addition to the other Emu requirement of public finances: that indebtedness not exceed 60 per cent of GDP.

He maintained that such an obligation would limit the role that a flexible yearly borrowing requirement could play in stabilising individual state economies. A British official said:

"You could find someone with a declining stock of debt whose [annual] deficit still exceeded 3 per cent."

A series of sanctions, including fines, denial of access to EC funds to help backward regions catch up, and bans on borrowing from the European Investment Bank, seem almost certain to be dropped, despite German misgivings.

However, an obligation to place non-interest bearing deposits with the future European central bank may be retained, along with the likelihood of a sort of EC health warning on bonds issued by delinquent governments.

Mr Jacques Delors, Commission president, said public warnings were "the sternest penalty one can think of".

Mr Delors, who last week made clear his dissatisfaction with the direction of political union negotiations which threaten to give new powers to member states at the expense of the EC, yesterday said the

Commission was actually prepared to limit its role in the policing of Emu.

Yesterday's meeting, which reconvenes next Monday for the last time before the Maastricht summit on December 9-10, left two areas of friction still unresolved:

● How tightly the "opt-out clause" - designed to allow the UK to reserve the right to enter Emu to a future parliament - should be circumscribed to prevent other countries from diluting their commitment. "I cannot exclude that the whole opt-out question will be reopened at Maastricht," Mr Henning Christensen, EC commissioner for finance said.

● The extent to which those countries not in the "first wave" of Emu could participate in European central bank decision-making. Germany is insisting on very clear distinctions between those who pool their monetary sovereignty and those who do not.

## Germany sees reflection of itself in European union

Quentin Peel on why federalism sparks no fears

OF ALL the members of the European Community, Germany seems prepared to give up the most to achieve European political, economic and monetary union. In the drive towards a single European currency, it is even abandoning the D-Mark, the very badge of its economic might, its symbol of international respectability, indeed, in a post-war era of suppressed nationalism, the most evocative symbol it has of national pride.

"It is the symbol of our success, our economic success, our social success, and even our Christian success. Until (German) unity, the money was our identity," says Mrs Renate Hellwig, chairwoman of the European affairs committee of the German Bundestag.

And yet, not only does Germany seem to give it up, but the country is having only the most cursory national debate on the issue.

When the finance committee of the Bundestag finally discussed the question last September, top officials from both the Finance Ministry and the Chancellor's Office came armed with files to answer every conceivable criticism.

"We didn't even have to look at them," one said last week. Chancellor Helmut Kohl has concentrated his attentions before next month's EC summit meeting in Maastricht on promoting political union treaties which would increase EC powers over such areas as foreign policy, social affairs and even defence. The argument is, that Germany can accept economic and monetary union only if there is a real move towards political union.

So, what on earth is so important about political union that Germany is prepared to pay with its precious D-Mark? And all without an intense debate? The explanation is both concrete and somewhat metaphorical.

First, there is real enthusiasm for the concept of a "federal" Europe. Indeed, many Germans feel wounded by the British hostility towards federalism, given that Germany is Europe's prime example of a federation, and an apparently successful one. Moreover, most Germans view the idea of federalism as implying strong regions with a weak centre, the opposite of what the British apparently believe.

In German thinking, federalism is boundedly within the concept of "subsidiarity": an awful word but a simple one. It means that lower levels of government keep all those tasks they are capable of performing alone, and only pass



Mr Wolfgang Schäuble, heir apparent to Chancellor Helmut Kohl as leader of the Christian Democratic Union (CDU), was yesterday elected parliamentary group leader in place of 70-year-old Mr Alfred Dregger.

The move puts Mr Schäuble, wheelchair-bound since an assassination attempt in April, into a testing and highly visible position as a key participant in negotiations within Germany's ruling coalition.

Mr Schäuble is succeeded as interior minister by Mr Rudolf Seiters, a Kohl loyalist who has hitherto been a minister in the Chancellor's office.

on to the centre the tasks they cannot carry out. That would seem very close to what the British are arguing for.

"Yet the British simply refuse to agree with us," says one of Mr Kohl's advisers. "It is like a blind spot."

Now the Bundesrat, the upper house which represents the Länder (federal states) in the central legislature, is insisting that "subsidiarity" be written into the Maastricht treaties, to ensure that the European system does not become too centralised. That is precisely how it interprets "federalism".

With regard to the European parliament, it is the definition of "democratic control" which divides the Germans from the British. The Germans do not agree that national parliaments, such as Westminster, are powerful or informed enough to control EC policies.

"The national parliaments have lost a lot of their power," says Mrs Hellwig. "Whenever a European law is passed, they actually don't have any power of control." EC oversight committees could make their opinions felt, but they could not change the end result. "We are too small. We know we must give more power to the European parliament."

It notes that manufacturing output grew in January-August this year by 2.9 per cent compared with the same period in 1990, reversing a downward trend earlier in the year. "Manufacturers' expectations also look brighter... the three-month moving average trend lines in order books and sales expectations are upward. Capacity utilisation has been increasing over recent months, although not sufficiently to provoke a pickup in investment," it says.

The review cautions, however, that "the underlying position in relation to the public finances continues to give

jeopardy to co-decision-making between the European parliament and the Council of Ministers representing the member states. Otherwise, they say, negotiations among top officials of the 12, sanctioned by 11-briefed ministers, will decide European policies without any real democratic debate.

Another pragmatic reason for German enthusiasm for political union relates to the EC's usefulness in internal politics. When negotiating between Germany's central governing partners and the Länder fails to reach a conclusion, Brussels can sometimes provide an answer.

For example, Germany hopes the EC will decide on a common asylum policy which would overcome its domestic disagreement over whether the constitution needs to be changed to restrict the inflow of asylum-seekers. Similarly, a common European defence policy could allow German soldiers to serve out of the Nato area, again without having to change the constitution.

There is a widespread conviction that "the European Community has been good for Germany," says a diplomat. "Giving powers away has benefited us. People only get upset if something goes wrong."

Many Germans thank the existence of the EC for the speed of German unification. They argue that their EC partners, especially France, let it happen only because they knew Germany was locked into the EC as an equal partner.

Both Mr Kohl and Mr Hans-Dietrich Genscher, the foreign minister, argue that "European unification is the natural counterpart of German unification. One cannot work without the other." Mr Kohl also sees Germany as the most "European" state of all, because it has the longest borders and the most neighbours, and therefore the greatest need to co-ordinate its policies with them.

Perhaps the most persuasive argument for a link between European political union and monetary union came last week from Mr Hans Tietmeyer, Bundesbank vice-president. He said the political strains caused by monetary union, such as heavy regional unemployment and cross-border migration to prosperous areas, could only be handled if there was a real EC political consensus. Therefore, he concluded, monetary union without political union would be positively dangerous.

Mr Kohl needs to have a deal in Maastricht to be signed next year, when the real debate within Germany may finally begin.

## Recession shows signs of bottoming out in Ireland

By Tim Cooney in Dublin

THE recession in Ireland is showing signs of bottoming out, according to the Allied Irish Bank's economic review, published yesterday.

It notes that manufacturing output grew in January-August this year by 2.9 per cent compared with the same period in 1990, reversing a downward trend earlier in the year. "Manufacturers' expectations also look brighter... the three-month moving average trend lines in order books and sales expectations are upward. Capacity utilisation has been increasing over recent months, although not sufficiently to provoke a pickup in investment," it says.

The review cautions, however, that "the underlying position in relation to the public finances continues to give

great cause for concern mainly as a result of increasing pressure on the expenditure side." It echoes an earlier warning by the Confederation of Irish Industry (CII).

The 1991 budget overrun is currently expected to be some £150m (£138m) above the targeted exchange borrowing requirement (EBR) of £940m, amounting in total to 2.5 per cent of gross national product. The latest signals from the government indicate that the 1992 EBR is likely to be of a similar magnitude.

The CII wants it cut to 1.5 per cent of GNP next year, a target set for 1993 by the outgoing finance minister, Mr Albert Reynolds. His successor, Mr Berni Ahern, faces tough negotiations with union leaders in the coming weeks.

## Head of German privatisation agency carries her quest for investors to London

## Treuhand fans lukewarm British interest

By Leslie Collitt and Quentin Peel in Berlin

THE STREET outside the grey Treuhand headquarters in former East Berlin was blocked off yesterday by police vans, as several hundred steelworkers protested about their uncertain fate.

A sturdy middle-aged matron in a purple parka was in no doubt why they were there. "They are screwing us," she said. "They tell us nothing. All the people here are on zero working hours. They won't have any jobs again."

The demonstrators were from the Finow steelworks outside Berlin, one of the 6,000 ailing former state enterprises on sale, and still unsold, by the Treuhand privatisation agency.

Inside the headquarters, Mrs Birgit Breuel, stern president of the organisation charged with the greatest ever sell-off of state assets, is under no illusion about the sort of pressures she is up against.

"We get cursed all the time," she says. "The Treuhand was created to take all the difficult decisions which the politicians could not take. You cannot build a social market economy from one day to the next. You need a breathing space."

It is that breathing space which the Treuhand has been ordered to provide, by simultaneously selling off all the assets it can and nursing the sicker plants through a painful restructuring process. More than 3m jobs have been lost, but 4,227 have been sold.

Mrs Breuel, a no-nonsense 54-year-old former Christian Democrat economics and finance minister from Lower Saxony, comes to London today as part of her campaign to find new investors abroad, and thus ease the process.

So far, British investors have been notable largely for their caution in buying up assets in



East German steelworkers protest outside Treuhand headquarters. "We get cursed all the time," says agency chief Birgit Breuel (right). In west Germany steel union leaders are threatening strikes over pay

the east, lagging behind fellow Europeans such as France and Switzerland. Up to the end of October, 21 French investors had bought 42 enterprises from the Treuhand, 31 Swiss buyers had bought 33 companies, and just 13 British investors had bought 23 companies.

"The British have always had a rather longer pause for thought before investing on the continent," Mrs Breuel suggests. But her real problem is the relative lack of foreign investors altogether: not a single Japanese has yet signed a contract, although several are said to be negotiating.

"We have no lack of investors. We have 2,000 we are currently negotiating with, mainly Germans," Mrs Breuel says. "But I am convinced we need

more foreigners in order to become more internationally competitive."

British consultants have won a number of contracts. "They are costing us a lot of money," she says. What Mrs Breuel wants now are skilled managers, particularly company "doctors" with restructuring experience.

She denies that all the best buys have already been made, although the last obvious plum - the 33 hotels in the Interhotel chain - went last week for a total of DM2.5bn (£270m); all to German investors except for one to the Hilton International group.

Indeed, she insists that the whole privatisation process is still accelerating. "We have privatised 40 per

cent of our companies, 4,227, so far, and in October alone we sold a record 534, which is 24 a day," although she admits that most of those are small.

As regards accusations that the Treuhand has sold off companies too cheaply (the latest example being the Schwedt oil refinery), Mrs Breuel admits: "We did not value the properties of the companies correctly at the start. We knew we would make mistakes because we had no experience... But now we have the know-how."

She is also attacked for lack of transparency in the criteria for sales, both by potential investors, and by the workers who may lose their jobs.

"Our critics want us to proceed mechanically, but we are talking about living enter-

prises with people in them. We cannot do everything according to the same system... We try to have several offers. But there is always one winner, and several losers set to complain."

The Treuhand executive board has recommended that the Riva steel group of Milan take over the Hennigsdorf and Brandenburg steel mills, it was announced yesterday.

The decision to choose Riva against a rival bid from a consortium of Thyssen, Badische Steelworks and Saar Steel, is subject to approval by the administrative board.

Riva is planning investments of DM200m, against the German bid of only DM140m. Mr Hans Krämer, a member of the Treuhand executive, said.

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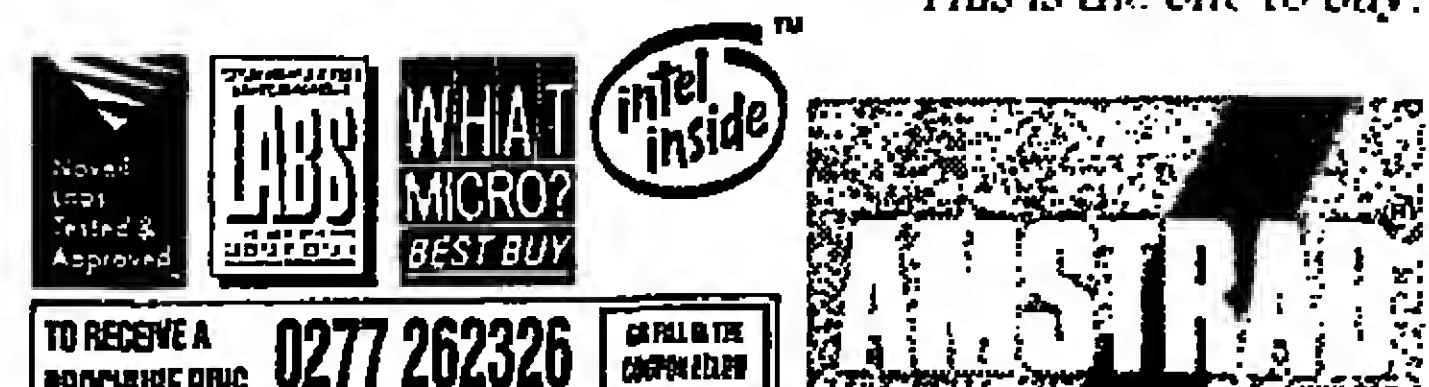
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## INTERNATIONAL NEWS

# Bank of Japan rejects calls to boost economy

By Stefan Wagstyl in Tokyo

MR Yasuhiro Mieno, the governor of the Bank of Japan, yesterday firmly rejected calls for measures to ease monetary policy and boost domestic expansion.

Such steps could undermine price stability in Japan and worsen the global shortage of savings by reducing the country's current account surplus, he said in Tokyo.

The right way to reduce the surplus was to keep the yen strong against the US dollar and to promote further market-opening measures in Japan - and not by boosting domestic spending.

The governor's remarks helped to boost the yen against the dollar. The dollar closed at ¥128.53 in Tokyo, down ¥1.12. His rejection of policies to promote domestic expansion depressed the stock market, where the Nikkei index of leading shares fell 248 points to close at 22,888, the ninth daily decline in a row. It is the longest losing streak since 1988.

Mr Mieno's speech was made amid widespread debate about the state of the Japanese economy. Business leaders and many politicians are pressing the central bank to ease interest rates further even after this month's cut in the official discount rate from 5.5 per cent to 5 per cent. Yesterday Mr Michio Watanabe, the foreign minister, called for another 0.5 percentage point reduction.

# Japanese begin to view the future on HDTV

The government is also reaching a crucial stage in talks between officials and politicians over the budget for the year from April 1992. The ruling Liberal Democratic Party's chiefs would like a measure of expansion in spending, not least because there is an election next year to seats in the Diet's upper house. But the finance ministry is concerned about falling tax revenues and a possible increase in the public sector deficit.

Mr Mieno said domestic expansion would undermine price stability. Although shortages of goods and labour had eased slightly, supply remained tight. The expansion would reduce Japan's flow of savings so cutting the amount of capital available for the Soviet Union and elsewhere.

Recent reports have shown that the Japanese economy is slowing faster than before. The government's Economic Planning Agency said in a report last Friday that activity was weakening in housing, cars and capital investment. The Japan Department Stores Association reported yesterday department store sales last month grew only 1.6 per cent over the year before, following a 1.5 per cent rise in September.

Mr Mieno said yesterday that even though the economy was slowing the level of activity remained at an historically high level.

INDUSTRY officials heralded a new television age yesterday as Japan began an average of eight hours a day of high-definition television (HDTV) broadcasts. Reuter reports from Tokyo.

"This is probably going to be one of the landmark years that goes down in the history of information technology," Mr Norio Kumabe, director general of the Hi-Vision Promotion Association (HVA), told a symposium before broadcasting started.

Japan's Hi-Vision HDTV system has 1,125 scanning lines, roughly twice the number for conventional television, and a screen with a length-width ratio of 16 to nine rather than the conventional four to three. Digital audio provides sound of compact disc quality.

International broadcasting officials at the symposium also pledged enthusiasm and support for HDTV. "With this, an important part of our future begins," said Mr Massimo Fichera, deputy director general of Radiotelevisione Italiana (RAI), the Italian public broadcasting service.

Mr Mitsuru Wada, director general of the satellite broadcasting department at NHK, Japan's public broadcasting station, said there were many difficulties ahead.

He was looking at two targets under the title One Million: the price of a HDTV set should come down to ¥1m (\$4,300) and there should be 1m sets in use, he declared.

Sets now cost around ¥4m, well beyond the pocket of an ordinary consumer.

Analysts say the forecast for this year's sales is around 30,000 sets, largely to business and hotels for exhibition purposes.

The test broadcasting period is due to last three years and will feature sports coverage as well as music, films and educational programmes. NHK plans to promote HDTV through public displays at next year's winter and Barcelona Olympics and to cut the price to an affordable level for the 1996 games in Atlanta.

The HVA will also obtain programmes from a growing industry of companies producing HDTV programmes, including companies in the US and Europe.

Rebo Studio, of New York, has recorded 30 hours of music shows for HDTV. Mr Barry Rebo, Rebo chairman, said the studio produced about half its HDTV material for Japan.

Symposium participants hailed the ability of HDTV to show films without the loss of picture quality on regular television. "One of the most significant aspects of HDTV is the vertical integration that it offers between TV and movies," said Mr Fichera. But he expressed disappointment that Japan, Europe and the US had failed to agree on a common HDTV format.



Rival teams of Egyptian lawyers yesterday screamed abuse and scuffled in a packed courtroom, Reuter reports from Cairo. A lawyer (centre)

representing Mr Rashad Nabih, is pictured above in the centre of the fracas. Mr Nabih is charged with signing a cheque for £21.54bn

(£260m) to repay depositors in the collapsed al-Rayhan Islamic investment company without having the money to back it up.

# Kuwait may clear banks' bad debts

Cabinet considers \$25bn bond issue plan. Mark Nicholson reports

THE KUWAIT government has a plan to clear billions of dollars worth of bad debts from the emirate's six main commercial banks by buying them itself in return for an extraordinary sale of government bonds.

The scheme, which bankers hope will win cabinet approval before the end of the year, could amount to the government issuing bonds to the banks worth a total of KD70m (\$25bn). It would represent one of the largest single clearances of bank debt in history.

The Kuwait cabinet is considering the report of a special committee formed after liberation to review proposals to clear the banks of a heavy debt overhang inherited from the early 1980s, but bankers say the government has agreed in principle to buy the debt and that only terms remain to be settled.

Although the debts do not relate to the Gulf war, which caused some confusion but in the financial damage for the banks, the government is using the extraordinary circumstances created by the war to clear a debt problem which has plagued the banks since 1982.

The debts were incurred during the 1982 crash of the *Souq al Manakh* informal stock market and the rash of bad loans, mostly to collapsed construction companies, from the oil price slump of 1986 which remain on the banks' books.

At least 1,200 individuals and companies in Kuwait have been involved in attempts to reschedule debts from the two

The government hopes that ridding the banks of such debts will kick-start Kuwait's economy

crises, which bankers estimate total KD70m.

The government hopes that ridding the banks of such debts will kick-start the Kuwaiti economy, which has been struggling to overcome the effects of the Iraqi occupation.

The *Souq al Manakh* market, which was fuelled by - and eventually foundered on - a spree of share purchasing largely with post-dated cheques, left initial debts of a

staggering \$94bn when it crashed in 1982, a sum progressively whittled down by a series of settlement programmes.

However by the time of Iraq's invasion in August 1990 there was enough debt hanging to shake almost all Kuwait's banks. Only National Bank of Kuwait, the emirate's highest commercial bank, had been able in the post-*Manakh* years consistently to declare soundly based trading profits.

To stave off an outright collapse of the banking system, the Kuwait central bank had been forced to support all the other banks to the tune of hundreds of millions of dollars by underwriting their provisions, safeguarding shareholder funds, placing interest free deposits and by making direct, though undisclosed, subsidies.

Under the proposed new scheme, the government will sell the banks a series of 20-year bonds to the value of their debts, paying a fixed rate of interest. The central bank has suggested a rate of 5 per cent but some banks are seeking up to 8 per cent.

The government will then assume the debts and oversee

the rescheduling - a bureaucratic task likely to be faced either by forming a special company to administer repayments from individuals and companies, or by having the banks form a joint debt management commission under contract to the government.

Individual debtors are likely to be given 25 years to repay their debts, with a year-year grace period with no interest charged on their outstanding loans. Repayment terms for indebted companies are still being negotiated, but it is being suggested that each company present a balance sheet to enable the government to tailor repayment schemes to each business's ability to generate income.

Although the scheme would clear the banking system's problems at a stroke, some economists fear that the \$26bn price tag, plus interest payments on the bonds, would seriously test the government's cash flow. The emirate has already paid out an estimated \$35m to cover the costs of the war and which will have to wait until the end of next year for any substantial return of oil revenues.

# Mubarak will press Assad to back peace process

By Tony Walker in Cairo



PRESIDENT Hosni Mubarak of Egypt flew to Damascus yesterday to press his Syrian counterpart Mr Hafiz al-Assad to co-operate in US efforts to move the Middle East peace process forward on two fronts.

The US wants the next round of bilateral talks between Israel and its Arab neighbours, due to open in Washington on December 4, to be followed soon after by a regional forum at which such issues as disarmament, water and the environment would be discussed.

Egypt has played a crucial role as "go-between" in helping to gain Syrian support for peace efforts. In this, Mr Mubarak's personal friendship with Mr Assad has been important.

Syria has refused to commit itself to the multilateral discussions, saying that it would not participate until significant progress was made on its demand for the return of territory seized by Israel in the 1967 war.

Egypt, Jordan and the Palestinians have all indicated a willingness in principle to join a regional forum at which representatives of Turkey, the Gulf and North African Arab states would also be present.

Mr Mubarak is also likely yesterday to have urged Mr Assad to participate more constructively in bilateral discussions. Syrian obduracy threatened critical "face-to-face" talks with Israel - the cornerstone of US peace efforts - in Madrid earlier this month.

Syria agreed at the last minute to meet the Israelis after it had boycotted scheduled talks earlier in the day. That late night meeting made no progress in contrast to constructive talks between Israel and a Jordanian-Palestinian delegation. Lebanon, meanwhile, has announced that it will send a delegation to Washington for the bilateral talks. Jordan and the Palestinians have indicated they would attend.

Syria and Israel, whose bitter spending war in Lebanon, as well as the Madrid opening have still not accepted the US invitations. Mr Mubarak will certainly have been urging Mr Assad not to delay.

A preparatory session of the multilateral round is tentatively scheduled for Moscow two weeks after the bilateral talks convene. But if Syria and its client Lebanon refuse to attend the regional forum would be much diminished.

The Palestine Liberation Organisation, meanwhile, is intensifying its efforts to win PLO office to travel to the US for the December 4 bilateral talks. PLO representatives huddled in the wings in Madrid, liaising closely with Palestinian delegates.

# Tokyo urged to take environmental lead

By Robert Thomson in Tokyo

THE JAPANESE government was encouraged yesterday by Mr John Wakeham, the UK secretary of state for energy, to take a leading role in the international debate on the environment and to popularise energy-saving measures successfully introduced into Japan.

Japan is keen to take a higher profile in the debate on the environment, and Mr Wakeham said Tokyo could play a big part in helping China to overcome its environmental and energy problems.

"We won't solve these problems on a national basis or on a regional basis," Mr Wakeham said. He emphasised that there had to be international co-ordination on issues such as carbon dioxide emissions and energy sources.

Japan's ability to take a leading part in the debate has been hindered by a dispute between the Ministry of International Trade and Industry (MITI) and the Environment Agency over the stabilisation of the country's carbon dioxide emissions.

MITI has proposed that carbon dioxide emissions must increase by about 1.3 per cent a year until the end of the decade if the economy is to



Wakeham: help for China

remain strong. But the Environment Agency says that, after a few more years of increases, emissions can be cut to 1990's level by the year 2000. While Japan has officially promised to "freeze" emissions, the two government agencies have given conflicting interpretations on whether the freeze will be at the 1990 or 2000 level. However, MITI has more influence and its schedule of increases appears to have been adopted as official policy.

# Thai military backs down on constitution

By Peter Ungphakorn in Bangkok

THAILAND'S military-backed National Assembly backed down further yesterday on the country's draft constitution, removing virtually all remaining controversial provisions.

Mr Anand Panyarachun, the Prime Minister, who has consistently criticised the draft, said he was satisfied with the decision to reduce the proposed powers of the appointed Senate that would have dominated parliament after next year's elections.

The climb-down follows two weeks of intense pressure from a wide-ranging coalition opposed to provisions that critics said would keep the military in power after elections that are now likely to be held in March.

Participants in the campaign included academics, civil rights activists, students, most of the Press and all Thailand's

main political parties except one that was set-up after the February 23 coup to support the military.

The episode appears to confirm that while the civilian elite in Bangkok was willing to accept the military's justifications for overthrowing the elected government of General Chatichai Choonhavan, accused of serious corruption, opposition against the generals installing themselves in power remains formidable.

Yesterday's session of the National Assembly agreed to drop provisions that would have given the appointed Senate power to participate in the selection of the prime minister, and in budget and other important debates.

The only controversial measure remaining is the senators' right to vote on censure motions against the government.

# Donor pressure grows on Kenya to reform

By William Dawkins in Paris

NORDIC countries yesterday added their weight to the international pressure for political and economic reform in Kenya, as the Nairobi government faced anxious western donors at the start of a two-day aid conference.

Officials at the World Bank, which is chairing the conference, said Sweden, Finland and Denmark had prepared a joint statement on civil rights in Kenya, likely to be discussed today. There had been speculation that the annual meeting of the World Bank's constitutive group on Kenya would be cancelled and the fact that it was going ahead could be taken as a sign of progress, said an official.

Kenya has a funding gap of about \$200m (\$210m) over the next 18 months but donors have been cutting or delaying aid, due to concern aroused by arrests of opposition leaders

and evidence of government corruption. Yesterday's session, chaired by Mr Callisto Madavo, director of the bank's East African department, laid the groundwork for the sensitive discussions due to take place today, when Kenya will be questioned over its human rights and financing requirements.

Professor George Saitoti, Kenya's vice-president and finance minister who is leading its 12-man delegation, yesterday attempted to defend the government's economic policy and management of the public sector.

Today's session begins with a discussion on human resources, which will be an opportunity for donors to air concerns over civil rights and corruption. It closes with the discussion on Kenya's aid needs, when donors will indicate prospects.

# More E Timor killings denied

INDONESIA yesterday denied reports of fresh massacres in East Timor but Amnesty International, in Sydney, said they were credible and urged a United Nations investigation. Reuter reports from Jakarta.

Indonesia has been accused of three separate massacres since its troops opened fire on members at a cemetery in the former Portuguese colony on November 12, killing 19 people by official accounts.

Amnesty, the human rights group, said it had the names of 60 people killed on November 12 or missing and presumed dead.

It said the final death toll might reach 200.

Indonesia annexed East Timor in 1976. Its rule has never been recognised internationally.

Allegations of killings after November 12 include 60 to 80 Timorese executed on November 16 and another 17 in separate groups two to three days later.

# Iranian minister on Soviet tour

MR Ali Akbar Velayati, Iran's foreign minister, yesterday met Mr Eduard Shevardnadze, his Soviet counterpart, Reuter reports from Moscow.

Mr Velayati arrived in Moscow on Sunday for a 10-day tour of the Soviet Union that will take him to six mainly Muslim republics in Transcaucasia and Central Asia.

He brought with him a message to Mr Mikhail Gorbachev, the Soviet leader, from President Ali Akbar Hashemi Rafsanjani. Mr Velayati is expected to meet Mr Alexander Rutskoy, the Russian vice-president, and Mr Yegor Gaidar, the deputy prime minister responsible for the economy.

# Members owe United Nations almost \$1bn

# UN may not be able to pay staff

By Michael Littlejohns, UN Correspondent in New York

THE United Nations, facing its worst financial crisis, will be unable to meet the staff pay roll next month unless wealthy member states like Canada and the Nordic countries pay their 1992 budget assessments far ahead of the due date. UN officials said last night.

With a massive UN peace-keeping and election-supervision operation in Cambodia planned for next year, they said this could not be launched unless governments contributed at least \$200m "up front".

Only by failing to pay its debts to most of the governments contributing forces was the UN able to maintain nine separate current peace-keeping operations owed a total of \$463m, Mrs Susan Mills, the UN deputy controller, said.

Mr Javier Perez de Cuellar, the Secretary General, said in a written report yesterday that the UN had been "on the brink of insolvency for a number of years". The problem had dramatically intensified now because the organisation was

"required to undertake ever-increasing and complex tasks."

Mrs Mills said that mandatory staff cuts to save money coincided with greatly increased political tasks as most governments still failed to pay their dues. More than \$44m, or two-thirds of the regular budget deficit, was owed by the US, whose total debt exceeded \$463m.

The Soviet Union owed a total of \$172m. South Africa, which lost its General Assembly seat in 1974 but remains a

UN member, is the third largest debtor, owing \$61.5m. The overall UN debt was placed at \$688m.

Among measures Mr Perez de Cuellar proposed to meet the crisis was the establishment of a \$100m trust fund for peace-keeping to which private institutions and individuals could contribute. A \$50m start-up fund for new peace-keeping operations, authority to borrow commercially and charging members interest if they failed to pay on time.



## AMERICAN NEWS

# White House chief survives party assault

By Lionel Barber, US Editor, in Washington

MR John Sununu, the imperious White House chief of staff, appeared yesterday to have survived a week-long assault by colleagues and Congressional Republicans to force him out of his job.

In a combined effort to dispel doubts about Mr Sununu's future, President George Bush arranged for his wife, Barbara, and his press secretary, Mr Martin Fitzwater, to voice public support for his chief of staff. Mrs Bush, speaking to reporters at a ceremony to receive the White House Christmas tree, denied reports that she wants Mr Sununu removed before the president sets up his re-election campaign.

Mr Fitzwater, echoing the Christmas spirit, said Mr Sununu's job was secure: "I don't think it has ever been in danger."

The official endorsement of Mr Sununu may not, however, remove doubts about his long-term prospects. In past weeks, the chief of staff was subject to "death by a thousand leaks", in which Republicans and friends of Mr Bush called anonymously in the US press for him to be fired.

The latest flap surrounded Mr Sununu's effort to shift blame to Mr Bush over long-term prospects. In past weeks, the chief of staff was subject to "death by a thousand leaks", in which Republicans and friends of Mr Bush called anonymously in the US press for him to be fired.

But the driving force behind the anti-Sununu campaign is

concern about what one White House official described as a "free fall" in Mr Bush's approval rating as public confidence in the US economy continues to drop. Some supporters of the president believe the best way to turn opinion around is to act decisively and shake up the White House staff.

Other supporters are concerned that Mr Sununu, a former governor of New Hampshire, is seeking to play a prominent role in Mr Bush's re-election campaign.

Reports have surfaced that some political professionals are unwilling to share control with Mr Sununu, who is seen as a provincial with no experience of running a national campaign.

More immediately, these supporters believe that Mr Sununu, who helped Mr Bush to win the 1988 New Hampshire primary election, the critical first test of the presidential campaign - could prove a disaster in February 1992.

New Hampshire, once prosperous, remains in the depths of a recession, and Mr Patrick Buchanan, a hard-right syndicated columnist and television pundit, is contemplating a run in the primary which could bloody Mr Bush.

Besides, Mr Sununu has managed to alienate Congressional Republicans who are furious that he has blocked efforts to introduce a tax-cutting package to stimulate the economy before the end of the present Congressional session. Mr Sununu has persuaded



A confident John Sununu: They say he was never in danger of losing his job

Mr Bush to wait until early next year before unveiling proposals for revising the economy in the State of the Union address to Congress.

The advantage of this is that it would avoid breaking open the agreement on budget deficit reduction and taking measures which could unnerve the financial markets. The disadvantage, however, is that Mr Sununu, a conservative, has

undermined what little political base he has enjoyed among Republicans in the House of Representatives.

The lack of action has prompted a grass-roots effort among conservatives in and outside Congress to remove Mr Sununu and put Mr Jack Kemp, housing secretary, in charge of economic policy. Although the President remains anxious about the

divisions in his party, he has little time for Mr Kemp and his ideological brand of supply-side economics. The idea of swapping Mr Kemp for Mr Sununu is therefore a non-starter.

In a typical display of loyalty, Mr Bush has come out in support of his chief of staff. But the doubts remain, particularly about organisation of the re-election campaign and Mr Sununu's own role.

## Medellín cartel 'gave \$10m to Contras'

By Henry Hamman in Miami

A MEMBER of the Medellín cocaine cartel said yesterday that the drug traffickers once paid \$10m to the Nicaraguan Contras.

Carlos Lehder Rivas, the highest-ranking cartel member in US custody, made the statement in testimony at the drug trafficking trial of former Panamanian leader, General Manuel Noriega, in Miami federal district court.

Lehder, who had earlier testified that the cartel made repeated payments to Gen Noriega, is undergoing cross-examination by the general's lawyer.

Lehder said: "There was some contribution to the Contra anti-Communist movement. Defence lawyer, Mr Frank Rubino, asked the amount. 'It could be around \$10m, sir,' Lehder replied.

The defence is seeking to show that the contribution was made to the Contras in return for the right to trans-ship cocaine from Colombia to the United States.

In questioning Lehder, Mr Rubino asked if the cartel had sought to use a ranch belonging to John Hull, an American who lived in Costa Rica.

Lehder, asked if the purpose of the \$10m contribution was to "open a pipeline" for cocaine shipments via the Hull ranch, denied he had information about the arrangement, but he did recall some shipments going through Costa Rica.

Lehder's testimony is important to the defence because a major part of Gen Noriega's strategy is to show that his activities were not for personal gain but were part of larger regional political issues.

## Argentine sell-off reaches Brussels

By John Barham in Buenos Aires

ARGENTINA begins a new round in its aggressive privatisation programme today with a conference in Brussels aimed at telling the European business community about its sudden conversion to free markets.

President Carlos Menem plans to sell or wind up all state companies by the end of 1992. Among them are Gas del Estado, the natural gas monopoly, SEGBA, the Buenos Aires electricity company, Ferrocarriles Argentinos, the railway network, and a big section of YPF, the national oil company.

At the two-day seminar, sponsored by the European Commission, officials will bombard their 200-strong audience with data on Argentina's economic reforms, before a sales pitch about each of the companies.

The government hopes to raise \$3.5bn by selling control of the companies to private operators. Decisions such as how much equity will be offered, or whether to allow

foreign debt-for-equity swaps, will be made on a case-by-case basis.

Privatisation is at the heart of the reform of Argentina's public sector, itself a leading cause of the country's slide into an economic mire. Companies that used to bleed the Treasury are being sold, yielding desperately needed capital and generating taxes instead of deficits. Privatised companies should also spur growth through greater efficiency and investments.

Last year, Argentina sold its national airline and telephone network, raising \$74m in cash and retiring \$7bn of foreign debt.

These privatisations have come under intense criticism. The chaotic sale - yet to be completed - of Aerolineas Argentinas to Iberia allowed the Spanish state airline to monopolise domestic air transport.

The new strategy is carefully planned, with World Bank help, to avoid these faults.

## Venezuela pilots strike

By Joe Mann in Caracas

PILOTS at Viasa, the Venezuelan international airline privatised in August, have gone on indefinite strike.

Viasa, now 60 per cent owned by Iberia and partners, said that the strike would cost the airline some \$1.35m (£760m) per day.

The pilots, in one of the most militant trade unions in Venezuela, are demanding that their pay package be raised to the level of pilots abroad. A Viasa pilot's basic wage is about \$880 per month, plus substantial benefits.

The union asked for a salary increase of more than 316 per cent, plus extra benefits. Viasa's offer of a 108 per cent pay rise was turned down.

The conflict is seen in Venezuela as a test for the airline and the government's privatisation programme, and as a bellwether for future wage demands.

Viasa posted large losses over the last two years and lost \$1.8m in October due to pilots' industrial action. Viasa's new owners seem ready to take on the union.

## US urged to tackle its structural flaws

By George Graham in Washington

US POLICY makers must turn their attention to the medium term, with a concerted effort to tackle structural flaws in the nation's economy, the Organisation for Economic Co-operation and Development (OECD) has urged.

In its annual survey of the US economy, the Paris-based group argues the US must reform banking rules, promote free trade, lower farm subsidies and raise energy taxes, to boost prospects of achieving sustainable economic growth and low inflation.

Topping its structural reform agenda is environmental policy, which its economists say now costs the US 2.4 per cent of GNP. Direct costs of environmental rules are estimated by the US Environmental Protection Agency at 1.9 per cent of GNP in 1989, forecast to reach 2.8 per cent as the century ends. But the OECD says aggregate impact is driven, because industry's capital investment is diminished by environmental spending costs.

Overall, these may be curbing economic growth by more than the slowdown in productivity growth of the early 1970s. While environmental legislation has meant improved air and water quality, the OECD says the US has concentrated too much on "command and control" techniques of environmental regulation: the setting of detailed quantitative standards for pollution levels. An economic approach to pollution might achieve better results at

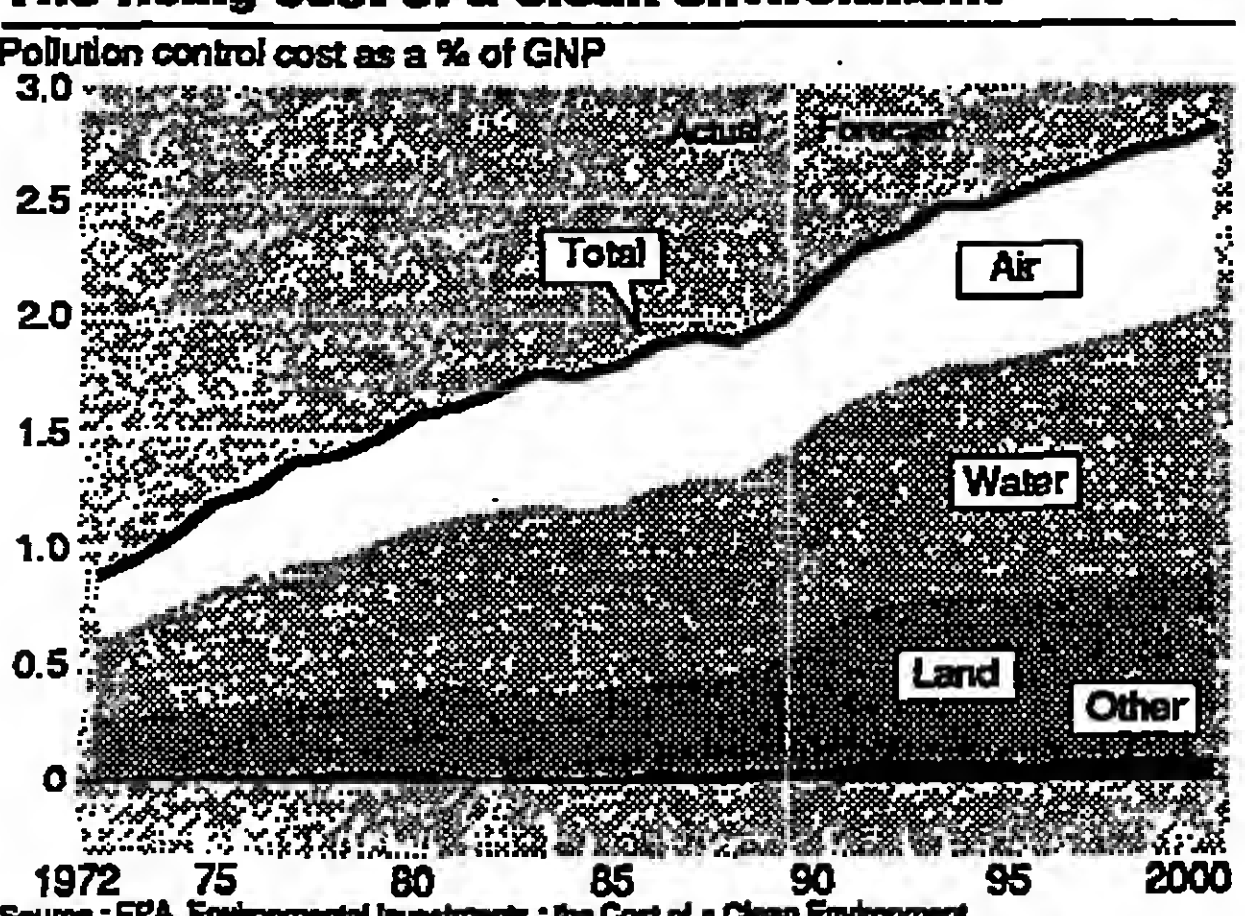
lower cost. It urges special attention to energy policy.

Noting that US energy prices are lower than in any other OECD country, and US energy use is higher than in any other, the study urges higher energy taxes, to cut energy consumption, and hence pollution, and raise revenue to help cut budget deficit. "Command and control" might be best when the aim is to end an emission entirely, as in the case of lead, but it might not be the most cost-effective way to reduce emissions. Quantitative regulations are ill-suited to controlling pollution that cannot be checked at a single site, such as agricultural run-off, yet such "non-point source" pollution accounts for 88-99 per cent of water pollution.

Rules curbing car-exhaust emissions have tackled only one factor in the car pollution problem, but ignored the number of trips taken and miles driven. The stress on regulatory solutions stemmed partly from a perception that pollution control was essentially a technical or engineering matter, or that economic instruments would be less certain to achieve results than regulation. But pollution production involved technical and economic choices. Hence, economic instruments could "contribute to achieving environmental benefits while reducing costs".

*OECD Economic Surveys: The United States, OECD Publications, 2 rue André Pascal, 7770 Paris Cedex 16, France.*

### The rising cost of a clean environment



Source: EPA, Environmental Investments: The Cost of a Clean Environment

## Mexico tries new plan to beat smog

By Damian Fraser in Mexico City

THE MEXICAN government has launched another environmental plan to combat the alarming levels of atmospheric pollution in the capital. Leading environmentalists have dismissed the proposed action as too little, too late.

The plan is to ban Mexico City's industries from using high-sulphur fuels, to cut production at the city's two electricity plants by 30 per cent, to cut use of government cars by 30 per cent in winter, and to tighten emission standards for cars, thereby putting older vehicles off the road.

Other such plans have been poorly enforced. The government's new atmospheric emergency plan, which forces industries to close when pollution reaches dangerous levels has been amended.

Some 36,000 industries produce more than a third of Mexico's GDP in the Valley of Mexico around the capital city. Last month, ozone levels in Mexico City reached 340 points on the Imeca air quality scale - about four times the maximum exposure recommended by the World Health Organisation. Every month this year, average ozone levels have reached new records.

Under the latest emergency atmospheric plan, industrial activity would be reduced by about 30 to 40 per cent when pollution levels lie between 280 and 350 points on the Imeca scale, by 50 to 75 per cent when it lies between 350 and 400 points. Given a level above that and practically all of Mexico City will be closed down.

● Mexico's trade deficit continued its relentless rise in September, to reach \$4.3bn in the first nine months of the year. Excluding revenues from maquiladoras (in-bound manufacturing plants) the deficit was \$7.34bn.

The deficit reflected growth in imports of 25.4 per cent compared to the equivalent period last year: non-oil exports increased by 13.5 per cent, while oil exports, 30 per cent of the total, fell by 3.9 per cent.

## ADVERTISEMENT

## FUTURE BUSINESS STRATEGIES IN SOUTHERN AFRICA

### Massive funds allocated to major housing, education and health projects

Jan Steyn, Chairman of the Independent Development Trust, speaks to John Spira, Finance Editor of Johannesburg's Sunday Star.



Jan Steyn

Spira: The IDT recently completed its first year of operation. What has been achieved?

Steyn: Since opening its doors, the IDT has allocated more than R1.4 billion to about 150 major housing, educational and health-related projects.

Spira: On what basis did the IDT establish its initiatives?

Steyn: Via intensive consultations with a wide range of actors and interested parties, securing its financial base, building its capacity to make a major impact on development, and engaging the support of key actors in the international community.

The consultation process involved discussions and decisions on four central issues:

- ★ How the Trust could secure and entrench its independence. Negotiations with leadership in government at all relevant possible levels followed and independence was secured.
- ★ The creation of the contents of the Trust Deed, which would identify both the objectives and the focus areas and would determine the Trust's operational framework.
- ★ The identification of trustees who would be "representative without representing" the various organisations and bodies that make up the landscape of South African public life.
- ★ The relationship of the Trust with other key agencies and actors such as the Development Bank of Southern Africa, the Kagois Trust, the SA Housing Trust, the Urban Foundation, the range of community-based organisations, as well as government at national, provincial, regional and local levels.

While the Trust was securing its financial base, it had also to seek private sector support for funding co-operative ventures, thereby suggesting its resources.

The attitude and response of the international community had also to be planned. This was achieved by sharing thoughts with representatives of their governments in South Africa as well as with some of the international agencies active in development work here and in other developing countries.

Spira: How were these initiatives translated into results?

Steyn: The Trust Deed was formalised and approved by key interested parties by July 31 1990, generating a wide-ranging consensus in the process.

The Trust had also secured the transfer to its control of the R2 billion pledged to it by government.

A small number of key staff were appointed and the first meeting of the Board of Trustees was held in August 1990. The Trustees in turn began to establish the general policy parameters within which we would work.

Spira: How did you allocate resources to initiatives which could help you realise your objectives?

Steyn: Here it was important that we should secure the involvement of actors on the ground and of beneficiaries - with the object of engendering in these participants a genuine sense of ownership of the products our resources would deliver.

Thus we began to commit our funds to on-the-ground activity in our focus areas of housing, health and education.

While our objectives are to break the cycle of poverty and promote self-reliance, we wish to do that through existing agencies - not to ourselves.

Hence we have remained small, to ensure that the greatest proportion of our funds reaches those we wish to assist through the agencies that can service their needs. The alternative would have been to grow the organisation, with the attendant consequences that flow from large and often bureaucratic structures.

We wish to reach the very poor in our society. Funding has occasionally been targeted less directly for their ultimate benefit, but we shall direct the vast majority of our funds at those who have no, or grossly inadequate, access to resources.

We wish to be consistent, fair and equitable in our allocations - which means focused involvement in each of our targeted areas of operation.

Spira: To give as large a proportion of the homeless as possible access to our resources by way of a capital subsidy.

Through such an initiative, some 100 000 families would, in a relatively short time, be able to gain access to land in full, defensible title.

Had we gone the other route of subsidising housing delivery, we would have substantially reduced the impact our limited resources could achieve.

Spira: How are the IDT's funds being allocated to education?

Steyn: We've concentrated on clearly defined areas such as pre-school education, access to quality primary education, and vocational and technical training. We've also sought to strengthen the capacity of teachers - thereby building a multiplying factor into our investment.

In everything we've done our efforts have been to advance sustainable development, seek to promote self-reliance, and avoid dependency.

Every effort has been made to gear, or recycle, our funds. These objectives are difficult to achieve among the very poor. Yet I believe we have underestimated the capacity and willingness of even severely disadvantaged South Africans to contribute to their own advancement and that of their dependants.

We're also anxious to increase our resources by using them as a funding base that would attract private sector investment.

Spira: Have you succeeded in attracting private sector investment?

Steyn: I must confess to some disappointment at the reluctance of private enterprise to think imaginatively in developing and exploiting opportunities to participate in activities which do, perhaps, carry extra risk but which are nevertheless defensible and, in a longer-term evaluation, most certainly in the national and business's own interest.

Having said that, I must acknowledge the efforts of those who have shown the vision and wisdom to invest significantly in the future of our country and have supported our initiative and those of others. I salute in particular the existing Private Sector Initiative to which leading companies have contributed some R550 million. We shall be working closely with them.

Spira: You've stressed the need for those who benefit to have a sense of ownership. Is this concept of community participation generally understood and appreciated?

Steyn: It's been little understood and much abused. There are those who pay lip service to the concept and continue to initiate development without any real effort to ensure, through genuine involvement, the understanding, acceptance and input of interest groups "on the ground" - all of which would help secure beneficiaries as partners in the process and owners of the product.

Then there are the "gatekeepers" who insist that it is their endorsement that sanctions an initiative; they - the self-appointed - who have the power to decide. This is where the ideologies, at policy level, and the power-brokers, at a functional level, operate - and have often entrenched themselves.

None of these is to be confused with the genuinely committed workers at grass-roots level who have usefully devoted themselves to projects and programmes to meet the needs of the poor.

Spira: The IDT has frequently been accused of dragging its heels. It has had R2 billion of the public's money at its disposal for nearly 18 months, yet not a great deal in the way of tangible results is evident. Is this criticism justified?

Steyn: We are acting with all deliberate speed. It is with due consideration that I use the term "deliberate speed". The pressure on us to select projects and invest funds has been immense. We've been determined, however, not to be injudicious or indiscriminate in making our investments.

Businessmen know that major projects require careful programming and appropriate structuring. Politicians know that time is required to build a power base. Academics realise the importance of research as a precursor to sound development practice.

Yet we've been required by some to rush our fences, ignore sound development principles (some of which I have mentioned) and "get the money in the ground" so that the various pressure groups could benefit and prosper. We can't accept this.

I believe that with the involved support of our team of dedicated Trustees, and the conscientious application of our small staff, we have achieved some remarkable results.

The next two to three years will tell if we have, or could have done more. Have we, for example, helped begin to build a new society? Have we, through our work, bridged some of the divides? Have we given poor South Africans hope of a better future?

We hope to have positive answers to some of these questions by this time next year.

Spira: Thus far the South African Government has funded the IDT to the tune of R2 billion. This is clearly insufficient to meet the country's housing, education and health care needs. What are your plans for obtaining additional funding?

Steyn: We are seeking to gear our funds at several levels: 1. There is the Private Sector Initiative to which I have already referred: we hope these funds will boost our education programme.

2. Through our Collateralised Housing Investment Paper (CHIPS) scheme, we aim to secure R500 million from South African institutions for low-cost housing.

3. We are looking to local business working with local communities to contribute between 10% and 20% of the cost of our projects.

4. We are seeking support from international organisations, both by way of loans and grants.

Spira: Are you confident of being able to draw funds from abroad?

Steyn: All the indications are that we should have success. Together with the Kagois Trust and the Development Bank of Southern Africa, we had a particularly successful meeting with the European Community and met recently with Lynda Chalker. We have been encouraged by the response.

Spira: The IDT is already addressing existing needs through a large number of projects. Are you able to identify any new needs that might emerge over the next year or two?

Steyn: Our whole education system is in need of reconstruction and we believe we must play a part in this. The focus will be on: ■ legitimising the education process

■ securing greater participation by parents and representative community structures in the education system

■ increasing opportunities for disadvantaged groups at every point of the education spectrum.

Thus, for example, we intend launching a national school building trust, directed at meeting the backlog of 100 000 classrooms within the context set out above.

In housing, we see the capital subsidy scheme, with ownership of land as a lever, as merely the first step in a process that will involve all the elements of consolidation.

In health, we need to use our resources to develop primary health care on a unified model rather than the fractured services presently provided.

Ultimately, the stimulation of sustainable development is a critical component of a new South Africa. The development process is essential to underpin the efforts of political leaders to secure a constitutional settlement. Unless tangible products visible to ordinary people and impacting on their everyday lives are delivered during the period of transition, it will be very difficult to sustain the stability necessary to ensure the success of the process. The development agencies such as IDT, the Kagois Trust, the Development Bank, the Urban Foundation, the Private Sector itself and others have a key role to play in ensuring that negotiation and not confrontation remains the preferable option.

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AMERICAN NEWS

Canute James on ■ A new economic climate in the Caribbean ■ Venezuela's search for a lead role ■ Kingston's free market struggle

# Trade wind from the north brings chill

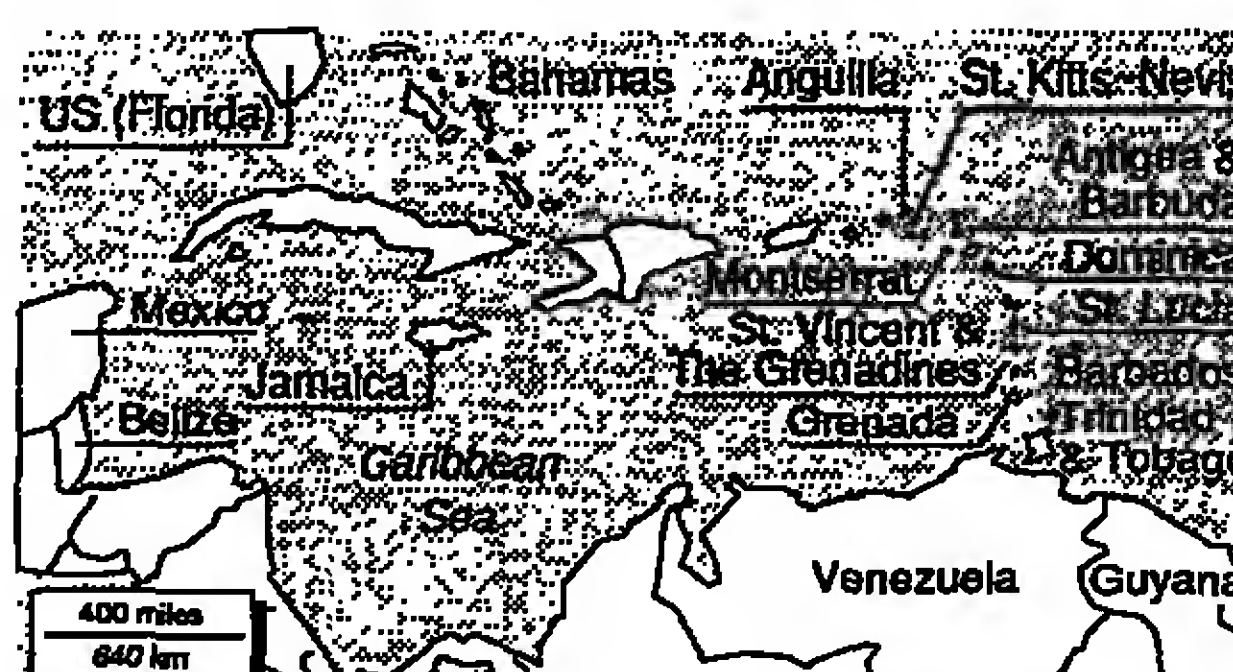
Central America and the Caribbean fear a Mexican pact with the US and Canada

THE Central American and Caribbean countries whose fledgling industries have benefited from the US market are looking with trepidation at Mexico's impending entry into the North American Free Trade Area. They fear that they will not be able to compete with a Mexican industrial sector that has unbridled access to the US.

The worry is not about competition on a level field, but over the possible inability of some key sectors, subject to quantitative and qualitative restrictions and tariffs, to hold their ground against Mexico.

Mr Karl James, president of the Jamaica Exporters' Association, said that Caribbean and Central American markets in the US might be washed away by a wave of cheaply produced, competitive Mexican products. His case may be overstated in emphasis, but there is a general conclusion in the region that serious damage will be done.

Ironically, 24 countries in the region which are now viewing the Mexican threat with fear have had a significant



advantage in access to the US market. Seven years ago they were made beneficiaries of the Caribbean Basin Initiative (CBI), a trade programme which allowed countries designated by Washington to ship a range of goods, also selected by the US, duty free.

However, the CBI contains exceptions instituted under pressure from US industry - including textiles, leather goods and petroleum products - and it was here, in textiles and garments, that the CBI participants argue that the region could make its biggest

impact. Officials repeatedly emphasise that the CBI, an arrangement "unilaterally implemented by the United States", is hardly a free-trade treaty for all products, arguing that only free access would enable the region to compete with Mexico.

The nature of the threat is illustrated by the garment industry's fears. While not enjoying duty-free access, the industry nevertheless expanded through negotiated quotas and special agreements that allowed the re-export of garments assembled in the region

from fabric produced and cut in the US. However, producers now believe that, unless they also get unrestricted access, they will not be able to compete with Mexico.

"This would wipe out an industry in the Caribbean and Central America whose exports to the United States last year were valued at \$1.8bn," said Mr Peter King, Caribbean co-ordinator of the Central American and Caribbean Textile and Apparel Council and chairman of the Garment and Textile Commission of the Caribbean Common Market. "If Mexico gets free access and we do not, millions of dollars in investments, by US and regional businessmen, and tens of thousands of jobs will be lost."

Businessmen in the region say that there are indications of a diversion of investor interest from the region to Mexico with regard to the possible location of factories and argue that a shift of potential and incremental investment could encourage disinvestment in the region at large.

However, US officials urge the region to adopt a measured

# Jamaica's reforms fail important chicken test

NEWSCASTS on Jamaican radio stations at breakfast time now offer a common fare, mainly increases in prices for food and other consumer goods, and a new exchange rate for the island's currency.

This is the result of the Jamaican government's decision to deregulate the foreign exchange market - the most significant effort, by an administration once publicly committed to controlling most things economic, to create a market-driven economy.

The impact will worry Mr Michael Manley, the prime minister, who in the middle of a five-year term has seen his popular support eroded by a perception that the move towards a market economy was being mishandled. A currency depreciation of 31 per cent since the deregulation has been accompanied by higher prices, following inflation and high interest rates.

Mr Manley's administration, however, is hardly likely to be surprised at its waning political fortunes.

Poor Jamaicans have been hit hard. The weekly national minimum wage is enough to buy just three chickens. Worse could come.

Inflation is running at about 30 per cent, the same rate as last year.

Mr Manley, who had earlier been undeterred by critics of his apparent abandonment of social democratic principles, clearly considers it a better risk to face the dislocation of a currency depreciation now, in the hope of some stability when the currency finds its true parity.

Substantial devaluations of the Jamaican dollar are not new to the island's 2.5m people. Devaluation has long been among the conditions set by international financial institutions for credit. Between 1983 and 1986 the Jamaican dollar was devalued by 70 per cent under the administration of Mr Edward Seaga, now the opposition leader. After it took office in 1989, the Manley government devalued by 22 per cent



Face of poverty: an old woman on the streets of Kingston

before allowing the currency to float a year ago.

In allowing the currency to find its true value, the government is using monetary measures to discourage rapid depreciation. The central bank has accepted bids for certificates of deposit at an average interest rate of 35 per cent as part of an effort to reduce liquidity in the financial system and ease pressure on the Jamaican dollar. Banks and other lending institutions have increased their interest rates. The business community regards this as counter-productive as it makes more difficult the new investment which the government says can exploit increased opportunities for export through a competitive exchange rate. There is, however, business support for the deregulation policy.

But the administration's efforts towards a deregulated economy are unlikely to succeed unless there is a loosening of the grip of the monopolies and cartels operated by the government and private business. Although petrol retailers have the right to set their own prices, the reference price is established each week by a state-owned monopoly which controls imports, processing and distribution.

Mr P J Patterson, the deputy prime minister and finance minister, said the government was working on anti-trust legislation to reduce the control monopolies have over the economy. The Labour opposition contends that Mr Manley moved too quickly towards a totally deregulated economy, and that it should have awaited an improvement in the country's finances.

The central bank reports the balance of payments on the current account had improved by \$120.5m in the first six months of this year, moving from a deterioration of \$38.6m in the first half of 1990 to an increase of \$92.2m between January and June.

# Caracas steps up its diplomatic offensive

WHEN President Jean-Bertrand Aristide of Haiti was overthrown and sent out of the country at the end of September, he surprised many in the Caribbean by seeking refuge in Venezuela. Having declared his intention to return as president, Mr Aristide had been expected to approach a nearer neighbour.

The choice, however, had less to do with strategic considerations on Mr Aristide's part than with the diplomatic and economic offensive in the Caribbean by the Venezuelan president, Mr Carlos Andrés Pérez.

Mr Pérez recently undertook a flurry of visits to Caribbean countries as well as receiving several Caribbean leaders in Caracas, as part of his drive to establish Venezuela at the centre of a new economic initia-

tive in the Caribbean basin and as a link between the area and Latin America. "We are all Caribbean people," he told Caribbean leaders in St Kitts earlier this year. "We complement each other, but we have ignored each other. We have a common history and a common destiny. The Caribbean destiny of Venezuela goes beyond its 2,800km coastline on the Caribbean Sea."

Such overtures are not new: several countries have benefited from a Venezuelan oil facility operated with Mexico which grants rebates on purchases of crude and guarantees supplies when the market is tight. Venezuela has bought bauxite and alumina from Jamaica and Guyana; it has been a member of the Caribbean Development Bank, which provides project financing for many Caribbean coun-

tries; successive administrations have offered assistance to island countries to build houses, stadia and other sporting facilities.

However, smaller Caribbean states have tended to view Venezuela with more than passing suspicion. With a market several times that of the Caribbean islands taken together, and with an economic base much stronger and more sophisticated than that in the archipelago, there are latent fears that Venezuela's real intention is to take control of the weaker economies.

Mr Pérez attempts to allay these suspicions by asserting that his country once had similar concerns regarding the US but discovered the answer was in gaining economic strength through regional co-operation.

It was this idea which clearly lay behind Mr Pérez's decision to apply for Venezuelan membership of the English-speaking Caribbean Economic Community (Caricom), and officials in several Caricom countries now believe Venezuela stands a better-than-even chance of being accepted.

The application was filed after Mr Pérez offered preferential treatment for Caribbean Community exports, on which tariffs will be reduced gradually over five years until there is duty-free entry.

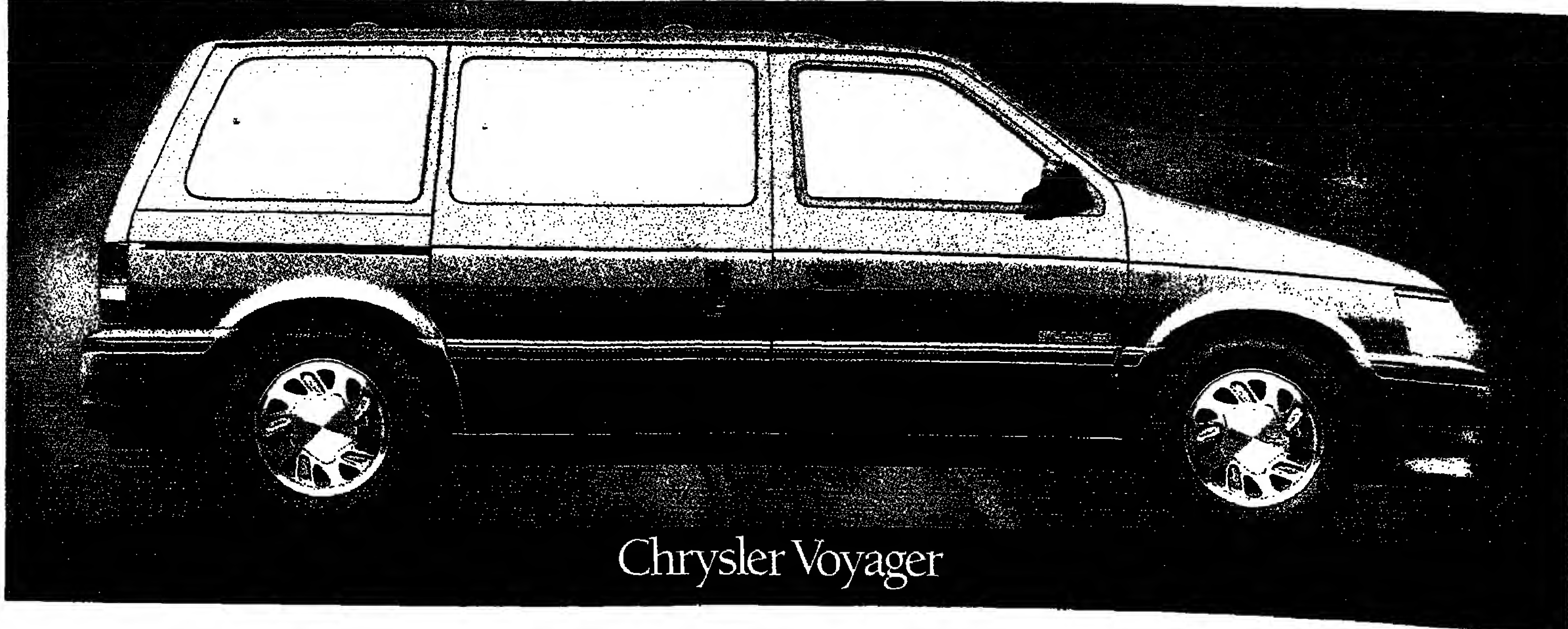
After five years, the Caricom states will start a phased reduction of tariffs on Venezuelan products, eliminating them over five more years. At the end of the 10-year period there will be free trade. And all this could be advanced if Venezuela is allowed into the Community, which hopes to become a com-

mon market in three years' time. Meanwhile, concern remains in parts of the Caribbean over the impact of Venezuelan membership. Community imports from Venezuela last year were valued at \$360m, with Venezuela's imports from the Community valued at only \$90m, even though Venezuela's population is four times as large.

"Venezuela offers an important new development for our islands, but I detect some doubts and hesitation," said the Jamaican prime minister, Mr Michael Manley. "This is an event of great significance in the region. When it became clear that Mexico was negotiating to get into the North American Free Trade Area, there was a need for a response... not one of retreating in fear. Venezuela's initiative offers a new opportunity."

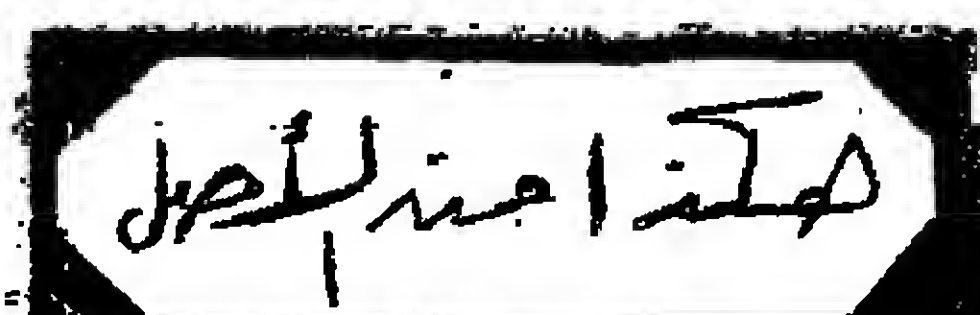
# An Uncommon Addition To The Common Market.

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## British exporters hope to win big contracts in Iran

By David Dodwell, World Trade Editor

UK EXPORTERS are expected to win substantial contracts from Iran after efforts, which began this week, to settle an estimated £200m in arrears owed to Britain.

A two-man delegation from the UK's export credit agency is to visit Tehran this week. The money is owed to Britain by the former government of Shah Reza Pahlavi.

The visit was made possible by last week's release of Mr Terry Waite, Britain's last Middle East hostage.

If successful, contracts could begin to emerge in petrochemicals, power generation and refineries, mining, dams and oil installations.

The Export Credits Guarantee Department (ECGD) delegation is expected this week to meet central banks and finance ministry officials in Tehran. Officials decline to identify exact arrears to Britain, but say the debt issue could be resolved quickly.

Britain re-opened its embassy in Tehran in November last year, but has consistently made clear that Iran would not receive any medium-term credits from the UK until

the hostage crisis was resolved.

Exporters have become increasingly impatient in the past year that they have effectively been barred by the hostage crisis from bidding for large contracts in Iran. Competitors in Germany, Italy and France have faced no such bar, and have seen exports rise rapidly.

Export-credit coverage to Iran has been limited since 1982 to short-term guarantees. These underpinned exports in 1990 amounting to £363m, an increase of over 50 per cent from £257m in 1989.

The sharp rise in 1990 exports is linked to Iran's demand for Western technology as it reconstructs after its war with Iraq.

Absence of medium and long-term credit cover has shut UK exporters out of the biggest contracts for power plants, dams and oil installations.

Iran has insignificant long-term debt, and an excellent payments record, enabling it recently to raise a \$1.6bn medium-term credit through 50 banks led by Société Générale of France.

## Kaliningrad flings open its doors

A Russian enclave aims to be an east-west hub, writes Gillian Tett

WHAT do you do with an odd, impoverished and politically sensitive little chunk of land, headquarters of the Soviet Baltic navy, that once belonged to Germany, was then seized by Russia, but is now cut off from both by Poland and newly independent Lithuania?

The solution, Russian leaders say, is to create a free economic zone. After 45 years as a sealed military enclave, Russian Kaliningrad (formerly Königsberg, the German capital of East Prussia) plans to fling open its door. It is hoping to become a key link in east-west trade as a free economic zone modelled, somewhat optimistically, on Hong Kong.

Officials envisage its very oddity, a cornucopia of Russian, German, Polish and Baltic links, as the advantage that attracts international trade. They say particularly strong interest in the project is being expressed in Germany, whose 700-year domination of the area was ended by the second world war and whose massacred or expelled citizens have been replaced with about 900,000 Russian-speaking immigrants.

"Germans are our most frequent tourists and business visitors," says Mr Valerian Yurov, an official at the city's Department of Foreign Economic Relations. He also insists Kaliningrad welcomes



this interest, despite the ambiguous political overtones.

Mr Boris Yeltsin, Russian president, issued a decree this autumn recognising Kaliningrad as a free economic zone. An agreement, albeit politically precarious, has been forged between Lithuania and Russia to ensure Russian access to the city through Lithuania.

Taxes on foreign companies investing and trading in Kaliningrad are to be minimal. Other measures, as yet unspecified, are planned to make the city "attractive for western investors," according to Kaliningrad's mayor, Mr Vitaly Shipov. "We think we can use our geopolitical position to become an important centre

for trade," he says.

Today's Kaliningrad, however, requires an imaginative business eye to share this vision. Reduced to rubble in the second world war when it was seized by the Soviets from Germany, then neglected for 45 years, Kaliningrad is arguably the ugliest city in the Baltic, with little international infrastructure. It houses thousands of disgruntled Soviet troops back from eastern Europe, and Lenin's statue still stands to indicate a remaining influence of communism's Old Guard.

The region does have transport links of potential, something which could place it ahead of other would-be Soviet free trade zones and other Baltic ports aspiring to be Hong

Kongs. From its German legacy, Kaliningrad has one of the Soviet Union's few intact European-gauge railway lines and the remains of an autobahn connected to Berlin, the possible resurrection of which, Kaliningrad officials say, has interested Scandinavian countries.

The region has three ice-free ports, opened to foreign vessels this spring. Suggested plans foresee a dramatic expansion of the main trading port, which can now only accept ships of up to 8 metres draught and annually handles 4.5m tonnes of cargo, to deal with up to 50m tonnes, according to port economist Mr Alexander Varany.

The most tangible fruit of Kaliningrad's aspirations has thus far been its thriving commodity exchange, housed in the original Königsberg Stock Exchange and named Alliance. Unlike similar Soviet exchanges, Alliance not only allows foreigners to trade in roubles, but automatically issues export licences. It has two German shareholders and has attracted considerable interest from Polish business.

"Whatever the viability of a free economic zone here," says Mr Julian Kosciuk, a Warsaw businessman who came to the exchange to sell Polish trucks, "this type of exchange is likely to provide the key for trading between Poland and Russia at the moment."

## Political worries may force Bush to delay Nafta deal

By Nancy Dunne in Washington

US DOMESTIC political concerns could discourage President George Bush from trying to push a North American Free Trade Agreement (Nafta) through Congress next year, according to a Republican congressman close to the negotiations.

A Nafta agreement would open up a new free trade area consisting of the US, Mexico and Canada.

Congressman Jim Kolbe, an Arizona Republican, said yesterday the pace of the Nafta talks could be decided at a meeting between President Bush and Mexico's President Carlos Salinas de Gortari at Camp David on December 15.

The perception that the pact could hurt Mr Bush's re-election chances next year was strengthened by the victory of Senator Harris Wofford, a Democrat who campaigned against Nafta early this month.

However, Mr Kolbe said it was most likely Mr Bush would agree to press ahead in the talks to get a draft agreement, which could be ready in February or March. If the US economy had improved by then, and if Nafta looked particularly attractive to US business, the draft could be introduced

in Congress even before the US political party conventions in the summer. Alternatively, Mr Bush could withhold the agreement until after the US presidential election.

There are two other options, likely to be considered at Camp David, the congressman said: a slowdown of the negotiations with a pact introduced in early 1993, or to go full speed ahead with a commitment to push for passage this year, despite the political repercussions.

The risk in having a draft but not introducing the legislation is that it will be available for "pot shots" from forces opposed to Nafta. Furthermore, a delay would be a problem for the Canadians with 1993 an election year.

Among the few key issues remaining to be settled is the coverage of a dispute-resolution mechanism. The Mexicans would like to appeal against US dumping and countervailing duty cases. Democrats, such as Congressman Richard Gephardt, oppose that, while insisting that the US must be allowed to challenge labour, environmental and tariff rulings in Mexico. It is "a gross inconsistency," Mr Kolbe said.



EC Commissioner Frans Andriessen with Mr Kiichi Miyazawa, the Japanese prime minister, before talks began at the premier's official residence yesterday

## Japan is pressed on trade surplus with EC

By Robert Thomson in Tokyo

THE EC yesterday stepped up pressure on Japan to cut the country's growing trade surplus with the Community, and asked it to find ways to redress the investment imbalance, now running in Japan's favour.

Mr Frans Andriessen, EC external affairs commissioner, met Mr Kiichi Miyazawa, the prime minister, and senior Japanese ministers, stressing to each the importance of the Uruguay Round trade talks and the need for Japan to open its markets further.

Mr Andriessen said that Japan, like the EC, would have to make sacrifices during the Uruguay Round and that its rice market could not remain closed. He was told by his hosts that rice had a special cultural, psychological and political significance, though they did not explicitly say the market would never be opened.

Japan's trade surplus with the EC in the first 10 months totalled \$33bn (£12.9bn), up from \$18bn last year, and Mr

Andriessen explained that unease was growing about the size of the surplus and the difficulty of penetrating the Japanese market. Satellites and telecommunications products were areas in which a competitive EC had made little impact.

Tokyo blames the jump in the surplus this year on increased demand from Germany, and the cooling of demand for luxury goods and art works that has followed the collapse of Japan's financial "bubble". Japanese officials also argue that EC companies have not tried hard enough to build market share in Japan.

Mr Andriessen said unequal investment flows between Japan and the EC were a concern. The EC reckons Japanese investment in the Community exceeds EC investment in Japan 17:1; the EC delegation sought more openings for investment in Japan. It did not say the ratio must be equal, but the present level was unsatisfactory, one official said.

## Germans lead project for new regional jet

DEUTSCHE Aerospace (DASA), the aerospace arm of the German Daimler-Benz group, plans to set up a company to develop and make a 90-120-seater regional jet aircraft in co-operation with Aérospatiale of France and Alenia of Italy, Paul Betts writes.

The company will be launched by the end of this year or January at the latest, DASA said yesterday. It will initially be wholly German-owned, with DASA then shedding two stakes of 25 per cent each to Aérospatiale and Alenia. DASA will retain 50 per cent, but could sell part of its own interest to other international partners later.

Daimler-Benz held talks with Mitsubishi last September, on the Japanese possibly co-operating with DASA on regional aircraft and developing a 18,000lb-thrust jet engine. But DASA stressed yesterday no

more talks had been held, and any co-operation was likely to be in the longer term. It was considering offering a stake in the jet project to China, its partner in a now-scrapped plan to develop the MPC regional jet, but with no decision taken.

Developing the new jet is expected to cost around \$2bn (£1.1bn). Doubts had arisen over whether the German-led programme would be launched, but DASA said it was "determined" to push on with the project with Aérospatiale and Alenia. After constituting a new company, DASA hopes to launch the \$2bn regional jet programme next year. Timing hinges on pre-financing from the German government, but DASA stressed this would constitute repayable loans and not be a subsidy. Initially, it plans to develop a 90-seater regional jet - the DAA92 - stretching it to a 120-130 seater, the DAA122.

## Row over salmon mountain

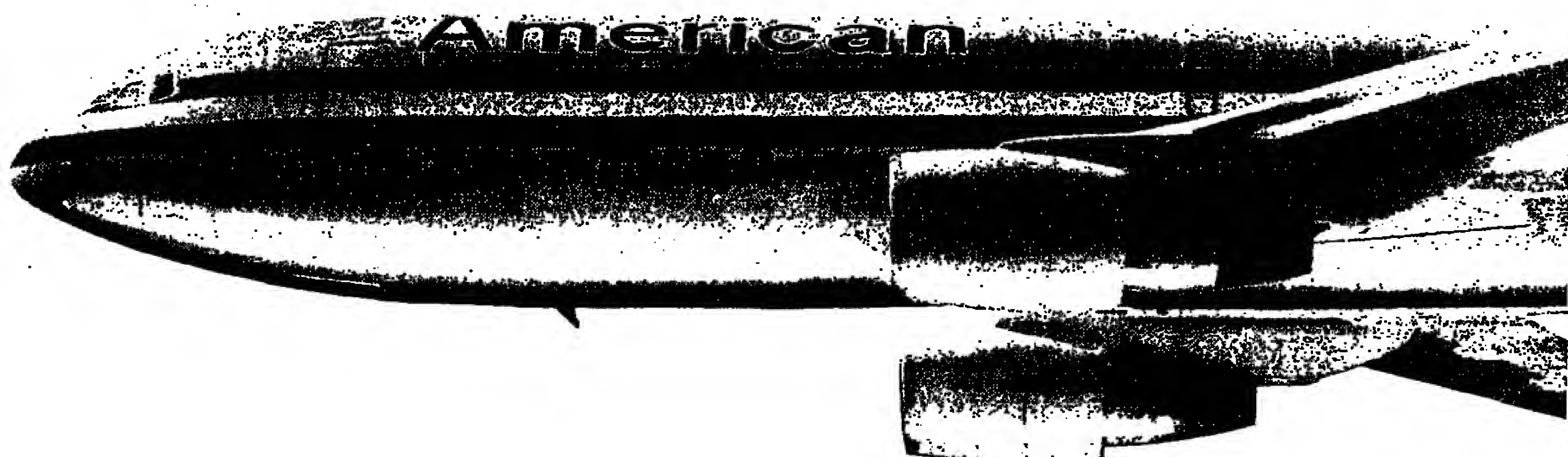
THE US has sought talks with Norway under Gatt's subsidies code, in hopes of stopping huge sales of surplus frozen salmon in the US market, Nancy Dunne reports from Washington.

The US is complaining about various government supports to the Norwegian industry, including a recent \$62m (£35m) loan, which the US says

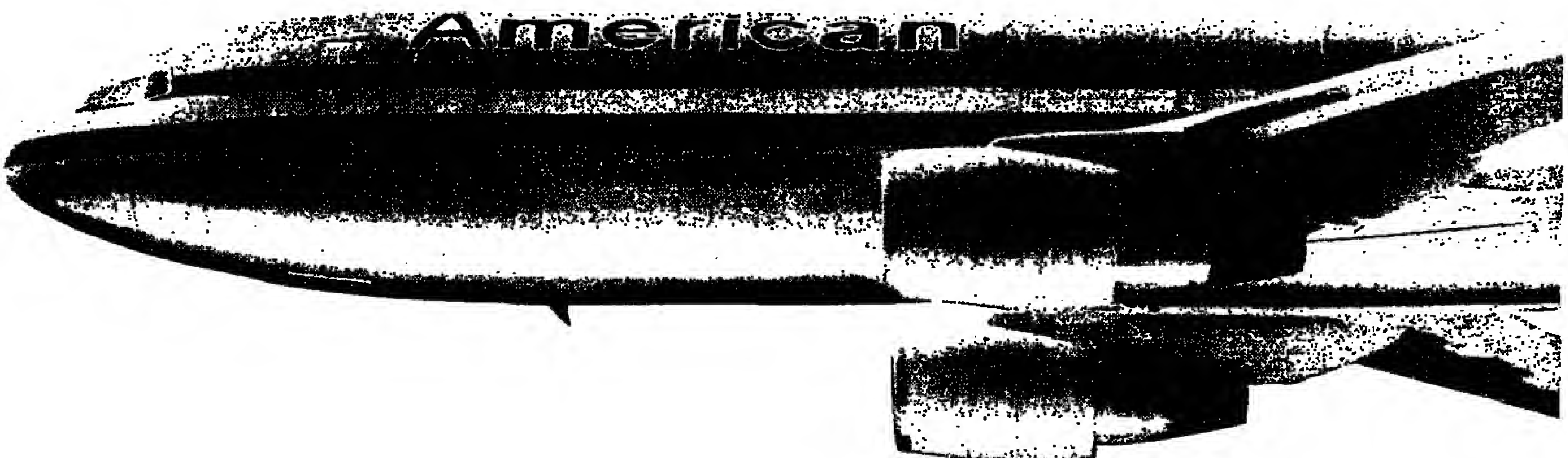
bails out Norwegian banks left holding an estimated 82m lbs of frozen salmon.

Mr Michael Coursey, the US industry's lawyer, said an agreement existed not to sell the stocks in the EC, which is "flat-out violative of the Gatt MFN process". The "salmon mountain" should be destroyed in Norway or donated to needy countries.

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## UK NEWS

## ERM pressure spurs Major towards deal

By Philip Stephens, Political Editor

THE growing pressures in the European Exchange Rate Mechanism (ERM) yesterday strengthened Mr John Major's determination to seek an agreement on economic and political union at the Maastricht summit in December.

As ministers sought to brush off the scathing attack on his approach by Mrs Margaret Thatcher, Downing Street insisted that the prime minister would not be deflected from his goal.

Close allies insisted that Mr Major could not do a deal with his European partners "at any price". In some areas notably on social policy - he would not be able to "sell" significant concessions to a majority in his own party.

There was private acknowledgement, however, that sterling's recent weakness in the

ERM had underlined the economic and political risks of isolation at Maastricht. Much of the turbulence on currency markets is attributed to the D-mark's rise against the dollar, but ministers accept that a breakdown at the summit might undermine the credibility of their commitment to a stable pound.

Despite scarcely-concealed fury among senior Conservatives at Mrs Thatcher's intervention, Whitehall officials said Mr Major had no intention of becoming involved in a personal "slanging match" with his predecessor.

If pressed in the House of Commons today he will stick firmly to the negotiating principles he set out in last week's debate and by his refusal to consider a referendum on changes to the Treaty of Rome.



Ministers were equally dismissive of calls for a free vote in parliament on such changes, arguing that it would be absurd for the government not to expect its supporters at Westminster to back its policies.

Mr Fatten, answering questions in the Commons, gave Mr Cash the discouraging response that he did not believe in "either this House or the government shuffling out of its responsibilities".

He went on: "At Maastricht we are negotiating a step forward in co-operation. We are not talking about a leap into the unknown. That is what we are attempting to prevent and that makes my views against a referendum even

stronger than they would otherwise have been," he said. After the regular weekly strategy meeting of senior ministers, the message from Downing Street was that Mr Major's approach represents the view of "the Cabinet, the government and the overwhelming majority in the Conservative party".

Mr Major will convey his willingness to make some concessions in meetings tomorrow with Mr Giulio Andreotti, the Italian prime minister, and Mr Helmut Kohl, the German chancellor.

But he will emphasise also that his hopes for an accord - strengthened by a meeting at the end of last week with Mr Rudi Lubbers, the Dutch prime minister - should not be interpreted as a sign of weakness on key issues.

## BRITAIN IN BRIEF



## UK orders inquiry into jail security

The government has ordered a full-scale investigation into security at Belfast prison after a loyalist remand prisoner was killed by a bomb apparently planted by a republican inmate. As the inquiry into internal security procedures at Crumlin Road jail and the management of inmates got under way, there were calls for the resignation of Lord Belstead, the minister responsible for security. The investigation will focus on how it was possible for Semtex explosive to be smuggled into the jail despite the prison's top-security status.

## Scottish rates to decrease

Average business rates in Scotland will fall in cash terms next financial year because of a government decision to give councils 550m to ease the rise in rates. The grant is part of a policy of bringing business rates in Scotland, which are on average higher than those in England and Wales, down to English levels and eventually to achieve uniform business rates across Britain.

## Decline in pay settlements

The average level of pay settlements in the engineering industry has fallen to 4.7 per cent, the lowest for more than four years, according to figures by the Engineering Employers' Federation. The fall from 5 per cent is the first recorded by the EEF for five months. In the seven years since the EEF began keeping detailed records of affiliates' pay deals, there has been only one month, August 1987, when

the median was lower, and then it was 4.65 per cent.

## TUC warns of cuts in staff

Mr Norman Willis, general secretary of the Trades Union Congress, has warned union leaders that action is needed immediately if the organisation is to avoid a financial deficit in 1993. It is thought that further job cuts will be considered on top of the 30 or so that have already been shed this year. The TUC employs about 250.

## Reliability claim for mail



Almost 96 per cent of first class letters reach their destination the day after being posted, the Royal Mail has claimed. Mr Bill Cockburn, managing director, (pictured above) said letter reliability from April to September this year had reached record levels. Statistics reveal that 84 per cent of first class mail posted locally reached its destination the following day.

## Job search problems

More businesses in the West Midlands expect recruitment difficulties in the future than in any other British region as the UK economy emerges from recession. The latest Employment Department survey of trends in the regional labour

## Bosch extends shift working

Bosch, the German electronics and motor components group, is moving to three-shift round-the-clock working at its Cardiff alternator plant, despite the depressed conditions in the motor industry, increasing the number of workers by 150 to 650. Bosch began producing a new generation of alternators in Cardiff last January at a £100m plant, its first in the UK.

## Appeal court dismisses case

One of three men jailed for life for the murder of a policeman during a riot in 1985 on a north London housing estate has been cleared of the killing by the Court of Appeal. The prosecution said that he could no longer ask the court to rely on the evidence against Mr Winston Silcott. Mr Silcott was among 389 people detained in arrests after the riot in which PC Keith Blacklock was murdered as he was helping protect fire crews fighting a blaze on the estate.

## UK, France sign accord

Britain and France have signed an agreement on frontier controls at the Channel tunnel. The protocol also concerns policing, judicial co-operation, civil security and mutual assistance. The tunnel is due to open in mid-1993.

## AWD-Bedford plant for Iran

AWD-Bedford, the truck maker, is to supply up to 2,000 trucks a year to Iran in a deal claimed by the company to be worth more than £70m.

As part of the project an assembly plant is to be established in southern Iran. AWD is forming a joint stock company with the Iranian conglomerate Bonyad Mostazafan and Jambezan.

AWD claimed it was the first foreign manufacturer to form a joint stock company in Iran since the revolution.

## Health lobby targets tobacco advertising

Britain is under pressure to endorse EC plans to curb smoking writes Gary Mead

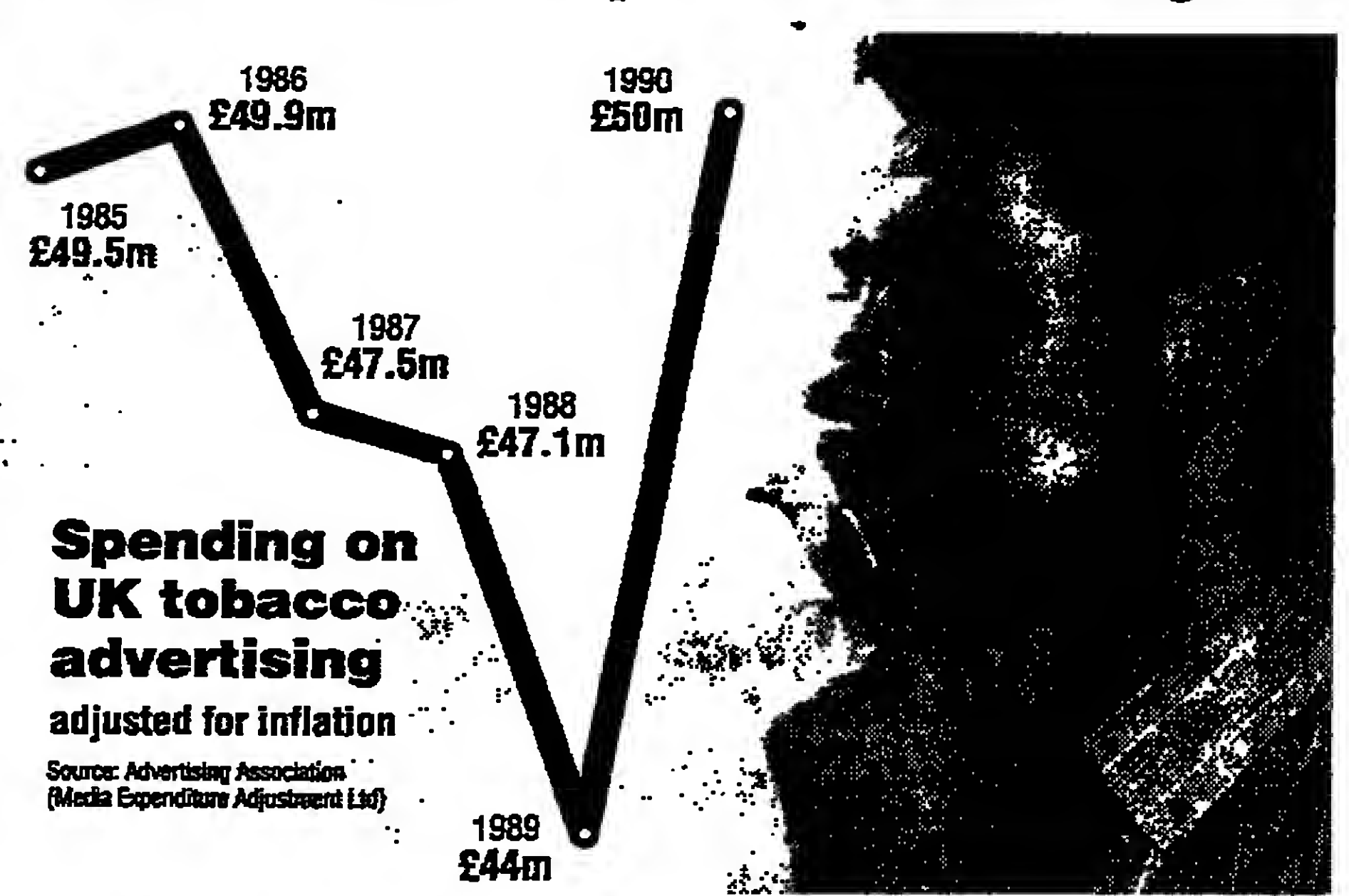
THE CLAIM that 12 people die in the UK every hour from smoking-related illnesses, at an annual cost of £49.5m to the state-run National Health Service, is alarming not just for smokers.

It is also a cause for concern for the tobacco producers, which face shrinking markets; publishing companies, which earn some £50m from tobacco advertising every year; and the Treasury, which hopes to raise £6.1bn from excise duties on tobacco products in 1991-92. Total government revenue from a packet of cigarettes accounts for 75.6 per cent of the retail price.

A report published yesterday by the Health Education Authority (HEA), said smoking killed 20 times as many people as road accidents, and children spent £70m each year on cigarettes sold to them illegally.

The anti-smoking lobby is now pressing the British government to throw its full weight behind pending EC legislation, which proposes a community-wide ban on tobacco advertising in print media. Advertising tobacco on television is already banned throughout the community.

First proposed in 1989, the EC directive concerning tobacco advertising would also endanger events associated



Spending on UK tobacco advertising adjusted for inflation

Source: Advertising Association (Media Expenditure Adjustment Ltd)

with tobacco brand names, such as sports sponsorship. In the EC as a whole, annual tobacco advertising expenditure is worth some £6m.

The DTF said business and consumer magazines in the UK depended on advertising for up to 85 per cent of their revenue, and the cumulative effect of

implementing all pending EC directives (including the total ban on tobacco advertising) could mean a loss of 18,000 jobs and the closure of 1,700 magazine titles, some 20 per cent of the UK market.

Leading European publishers have also launched a campaign against the proposed EC

legislation. Sir Frank Rogers, deputy chairman of the Daily Telegraph and chairman of the European Publishers Council (EPC), says the campaign will run until the end of 1992 in 100 newspapers and 300 magazines across Europe.

The EPC campaign is against some 10 pieces of EC legisla-

tion aimed at regulating advertising. Their main target is the tobacco print advertising ban, and the EPC has already clashed with senior officials from the European Commission.

Senior figures in the EPC suggest that as France, Italy, Spain and Portugal have state tobacco monopolies, they also have a vested interest in downgrading the role of advertising.

The Health Education Authority's report, whose statistical evidence clearly pinpoints the health dangers of smoking, "fully supports" the proposed EC legislation to ban all tobacco advertising. That proposal is scheduled to be put to a second reading in the European parliament next May, following an inconclusive discussion between member states two weeks ago. The EC provides some £500m in support for tobacco growers among its southern members.

But the HEA report placed more emphasis on "trying to price the tobacco consumer out of the market" by pressing government to increase tobacco prices through increased taxation. "Our research shows that price rather than advertising is the main factor behind smokers' decisions to carry on or give up smoking," the HEA said yesterday.

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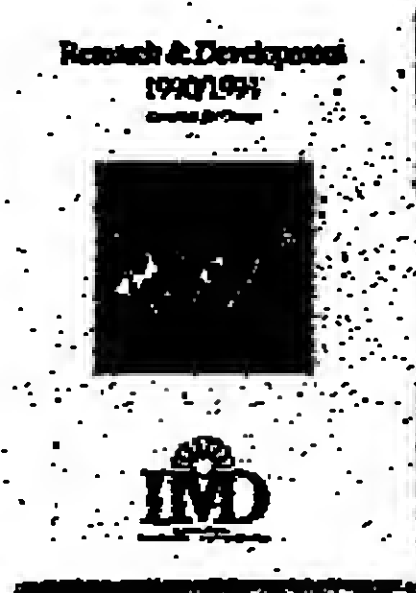
The price is **8,650 Belgian francs** (FF 1,435 at October 31 exchange rate). The bid period is between November 7 and December 5, 1991 in Belgium and Holland, and between November 7 and 29, 1991 in France.

The Offer Document, (COB reference N° 91-121 in France dated November 5, 1991) and notice of approval (Bulletin d'Acceptation dated October 31, 1991) of the Belgian Banking and Finance Commission are available for public scrutiny at main branches of the following banks:

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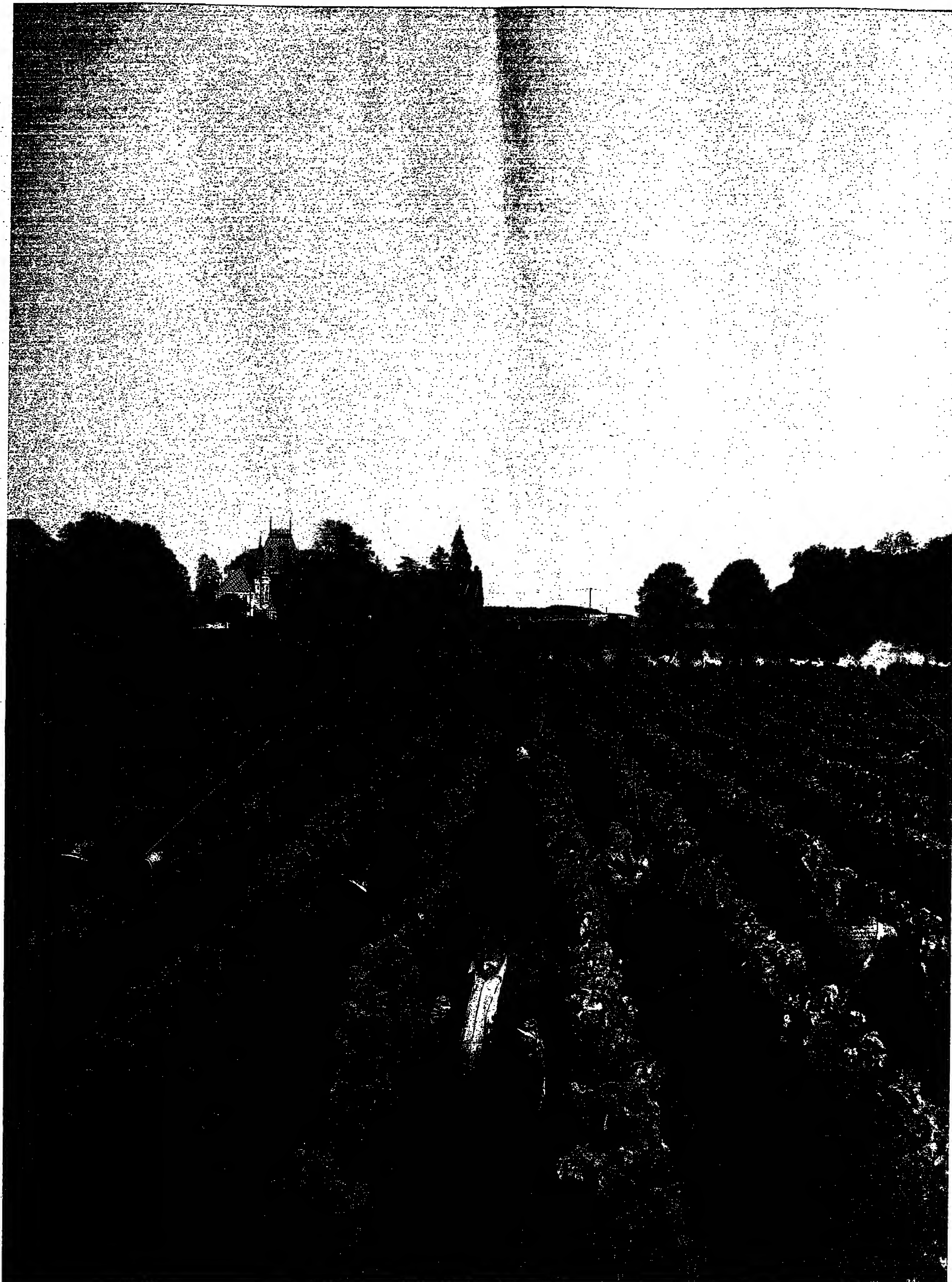
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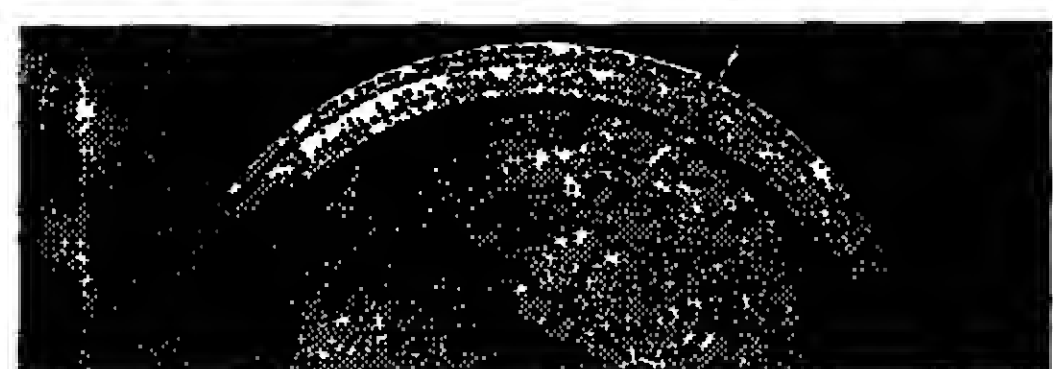
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## Tories plan new reform of labour law

THE government is determined to press ahead with a further stage of industrial relations reform despite important reservations expressed by the main employers' bodies, writes David Goodhart.

Mr Michael Howard, employment secretary welcomed the "strong support for the great majority of the government's proposed reforms" following a consultation period on a consultation document published in July.

The main proposals in the document were making collective agreements legally binding, seven days notice of strike action, postal as opposed to workplace ballots on strikes, and increasing the ability of people to join the trade union of their choice and thus eroding the powers of the Trades Union Congress to regulate inter-union disputes.

All of these proposals, plus the right of consumers to take action against unlawful industrial action are likely to feature in the Conservative Party manifesto for next year's general election.

The railway equipment industry is one of the most rigidly nationalistic in Europe.

Large, state-owned railways typically hand out nearly all contracts exclusively to domestic suppliers.

Although BR appeared to be breaking this mould when it adopted open competitive tendering in the early 1990s, the vast majority of its requirements are still met by UK manufacturers.

In September last year EC member states agreed to open

up the £500m market in public purchasing in railways and other industries to cross-border competition.

Mr Roger Keeling, BR's director of procurement, told a CBI conference on transport industry procurement yesterday that BR had pre-empted this move by starting to advertise supply contracts in the EC official journal nearly two years ago.

In the period since, he said,

BR had advertised 80 contracts with a total value approaching £500m for items such as trains, communications equipment, and bridge construction or demolition contracts.

On average, BR had received 10 responses per notice - nine from UK companies and only one from Continental suppliers, he said.

"Our notices have thus far resulted in us finding one new source of supply for BR, and

that source was in the US. So I think it's true to say that the response from potential new supply sources in mainland Europe had hardly been overwhelming," Mr Keeling said.

"Perhaps at this stage Continental suppliers simply do not recognise the journal as a notice board for future opportunities - or maybe in our case they don't believe BR is really serious in its attempt to source internationally."

The case continues.

Editorial comment, Page 18

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# High Court asked to cancel share deal

By Neil Buckley

A DIRECTOR of stockbrokers Scrimgeour Vickers misled Smith New Court, the securities house, into buying shares worth £33m - two days after he had been told he was being sacked, it was alleged in the High Court yesterday.

Smith New Court (SNC) is asking the court to rescind a contract to buy 28m shares in Ferranti International Signal. If that claim fails, SNC will seek damages of up to £16m for alleged misrepresentation by Mr Christopher Roberts, formerly executive director of Scrimgeour Vickers (Asset

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## TECHNOLOGY

## UK R&amp;D needs to go global

The UK needs to take a more international attitude to research and development, the government's Advisory Committee on Science and Technology (Acost) says in its first strategy review published yesterday.

The UK has seldom initiated major collaborative programmes and has often not gained the full industrial benefits from its contribution of funds to such programmes, says the review. "UK participation has also tended to grow in a haphazard way without clear strategic direction."

Both the UK government and industry must be more willing to take the lead in international R&D programmes, Sir Robin Nicholson, Acost chairman, said at a press conference to launch the review. "We're suggesting that a higher proportion of UK resources should be used for European and international research."

He gave examples of research fields in which the UK should take a more "active" role: cars and road traffic; the environment; food safety and health; and pharmaceutical testing.

The review expresses concern that the UK government's "attribution process" may act as a disincentive to greater European involvement. This refers to the Treasury rule by which notional UK contributions to the cost of programmes funded directly by the EC are attributed to the relevant government departments, affecting public expenditure calculations for the following financial year.

Acost suggests cautiously that Britain's spending on R&D should increase. "International comparisons do suggest that the UK as a whole may not be spending enough on science and technology and they suggest that the primary problem is a low level of science and technology spending by industry," Sir Robin said. But he refused to say how much more money was needed.

Clive Cookson

\*Science and Technology Issues: A Review by Acost, HMSO, £2.55.

The paperwork required to design and construct an oil rig is enough to fill about five 40-tonne trucks. Bundled together, the laden vehicles would just about weigh the same as all the equipment and facilities perched on top of the rig's supporting frame once it is out at sea.

Not surprisingly, then, when Elf Enterprise, the Anglo-French oil company, set about commissioning the design and assembly of the Piper B oil platform, the successor to the Piper Alpha, it decided to use electronic document storage to cut down on the paperwork.

"What we're targeting with document image processing is 40,000 to 50,000 drawings and a quarter of a million sheets of paper," says Fraser Lawson, technical system manager for Elf Enterprise. And that is only part of the document load: many will be held on microfilm and more still on paper.

In the US it is the motor industry that has proved the most lucrative for those selling technical document systems, which enable companies to digitise maps, engineering drawings or maintenance diagrams as well as text. But any manufacturing or maintenance company, argue the equipment vendors, could cut the time it takes to produce drawings, alter them and transmit them to other users in the network.

In Europe the oil industry has shown a particular interest in technical document image processing - often referred to as TDDP - because of two peculiar factors. First, the design and construction of rigs is done by several companies, each of which may have a different computer-aided design system. In the case of the Piper B platform there are three main fabrication sites across the country. All need to work from the same version of a document: if one party makes a change, everyone else's documents should be updated rapidly.

"The modification of drawings can happen in a matter of hours or days - instead of a week or two," says John Pomeroy, oil specialist for Cimage, which supplied the Elf Enterprise system.

Second, following the Piper Alpha disaster, oil companies have come under increasing pressure to demonstrate safety standards. Because document management technology enables the rig operators to store documents electronically, it means many more documents can be kept offshore to

Della Bradshaw describes a way for engineers to cut down on their paperwork by storing documents electronically

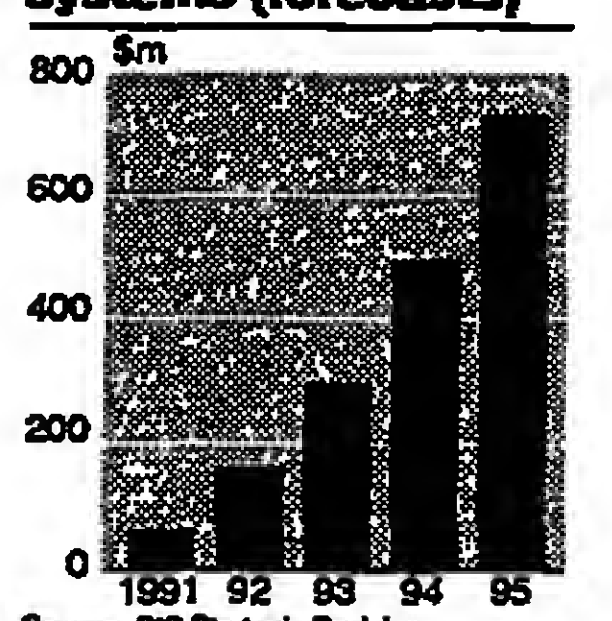
## Creating a new image

help in construction or maintenance. Previously much of the information would need to be retrieved from the reams of paperwork on shore and then faxed to the rig as needed.

A basic document management system consists of:

- a scanner to digitise the text and images
- workstations on which to create or edit the documents, and to index them so that they can easily be retrieved
- optical discs on which to store the images - a 12-inch optical disc can store 2 gigabytes (billion bytes) of data
- a computer database on which to store the indexing

## European engineering drawing systems (forecasts)



Source: BIS Strategic Decisions

information - data on where to find paper documentation as well as electronic files.

Technical document systems differ from office document systems in several ways. Technical systems for engineering need to manage wide-format drawings, whereas office ones usually handle A4 sheets. Engineering drawings also go through many revisions, while office documents can often escape revision altogether.

Technical systems still command only a small percentage of the computer market. According to BIS Strategic Decisions the European market for engineering drawing management systems will be worth \$67m (£38m) in 1991, with the largest numbers of customers in Germany and the UK. But by 1995 the European market will be worth more than 10 times that - \$732m.

Developments in technology are making such systems more attractive, says Mel Carter, manager of technical information management at Intergraph, the US based computer company.

The development of optical discs, the falling price of workstations - a high-powered machine can now cost less than £10,000 - and the increasing availability and speed of data lines have all contributed.

However, there are still technology hurdles to be overcome, says Lawson. The first limiting factor is networking. A large technical drawing - even when compressed - takes up to 500,000 bytes of storage. Today's token ring local area networks can only handle 100m bits of data (125m bytes) a second. So, as Lawson puts it: "It doesn't take a lot of users with a lot of drawings to bring it to its knees."

The latest optical fibre networks based on the fibre distributed data interface, or FDDI standard, transmit data at the rate of 100m bits a second, so could solve the problem within buildings as they become widely available. That still leaves the transmission speed of most leased phone lines, for long-distance transmission, at only 2 Mbit/s.

In addition, most commercially available imaging systems today produce monochrome drawings rather than colour ones. Lawson points out that colour would be particularly useful for annotating



drawings - one department could highlight the changes it requires in red, for example, a second in blue.

Lawson also highlights a more insidious problem, that of the legal status of data held on computer systems. Although in the US electronic documentation has a legal standing, with the history directory used as evidence of document tampering if required, there is no equivalent procedure in the UK. Lawson points out that the problem is that the legal status of electronic documentation has never been tested in court.

As a result Elf Enterprise is keeping a copy of all documentation, many millions of sheets, in paper format. That will be stored in archives in a secure site for the life of the Piper B platform, and anyone wanting to scrutinise those documents could have to wait up to a week before they are retrieved.

As well as the paper documentation and the 50,000 drawings and text which will be stored electronically, and to which there will be on-line access, there will be wads of documents which will be held on microfilm. "Microfilm is still infinitely cheaper, but you pay the penalty in terms of access times," points out Lawson. The time taken to retrieve documents from film will be up to two days.

A second article, examining document image processing in the office environment, will appear next week.

## POCKET COMPUTERS

## Psion's Series 3 answers the call

By Alan Cane

If desktop computers are the trains of personal computing, then portables are the motor cars and pocket computers the bicycles. Not everyone, however, likes cycling and if tapping a tiny keyboard to record addresses or check the time does not appeal, pocket computers are not for you.



Those fond of electronic gadgets, however, will like Psion's Series 3. The latest product from Britain's leading PC manufacturer, it has already won awards at computer shows in the US and in eastern Europe.

Measuring some 16 centimetres by nine centimetres by two centimetres and weighing 265 grams, the Series 3 fits into a large pocket, although people are more likely to carry it in a briefcase - it does not, for example, feel comfortable in a shirt pocket.

The successor to Psion's bestselling "Organiser", the Series 3 is both an electronic information system and a pocket computer. It can be programmed in a Basic-like language the company calls OPL.

In common with the rest of Psion's range, the quality of design and manufacture is excellent. It has a reassuringly solid feel, and the attention to detail is impressive. Of clamshell construction, it balances easily on a desktop when open, tiny rubber feet preventing it from slipping in use.

Slots for solid-state disks - flash E-Proms - are provided at each end of the machine. Opening the cover operates a mechanism which pushes the disk pack out - a marked improvement on the manual gymnastics necessary with the Organiser.

The functions available include database, calendar and scheduler, word processor (compatible with Microsoft's Word package), calculator and a variety of clocks and alarms.

The screen can display eight lines of text and a variety of graphics. World time, for example, displays a map of the world overlaid with the time in the owner's home city and any other city of choice.

The screen is comparatively easy to read although not backlit. The keys, laid out Qwerty-

fashion in a departure for Psion, are easy enough to tap with two fingers but touch typing would be decidedly awkward - and long documents could prove painful to key in.

Psion's power management by technology means the Series 3 will run for several months on two alkaline "AA" batteries. The logic of the system is typically Psion: a set of touch-sensitive picture keys is provided to give access to the major applications like word processing or the calculator. Once in the application, a series of menus can be pulled down "Windows" fashion to provide other facilities. In calculator mode, for example, a pull-down menu makes it possible to use sines, cosines, tangents and so on. In word processor mode, pull-down menus give access to editing and printing functions.

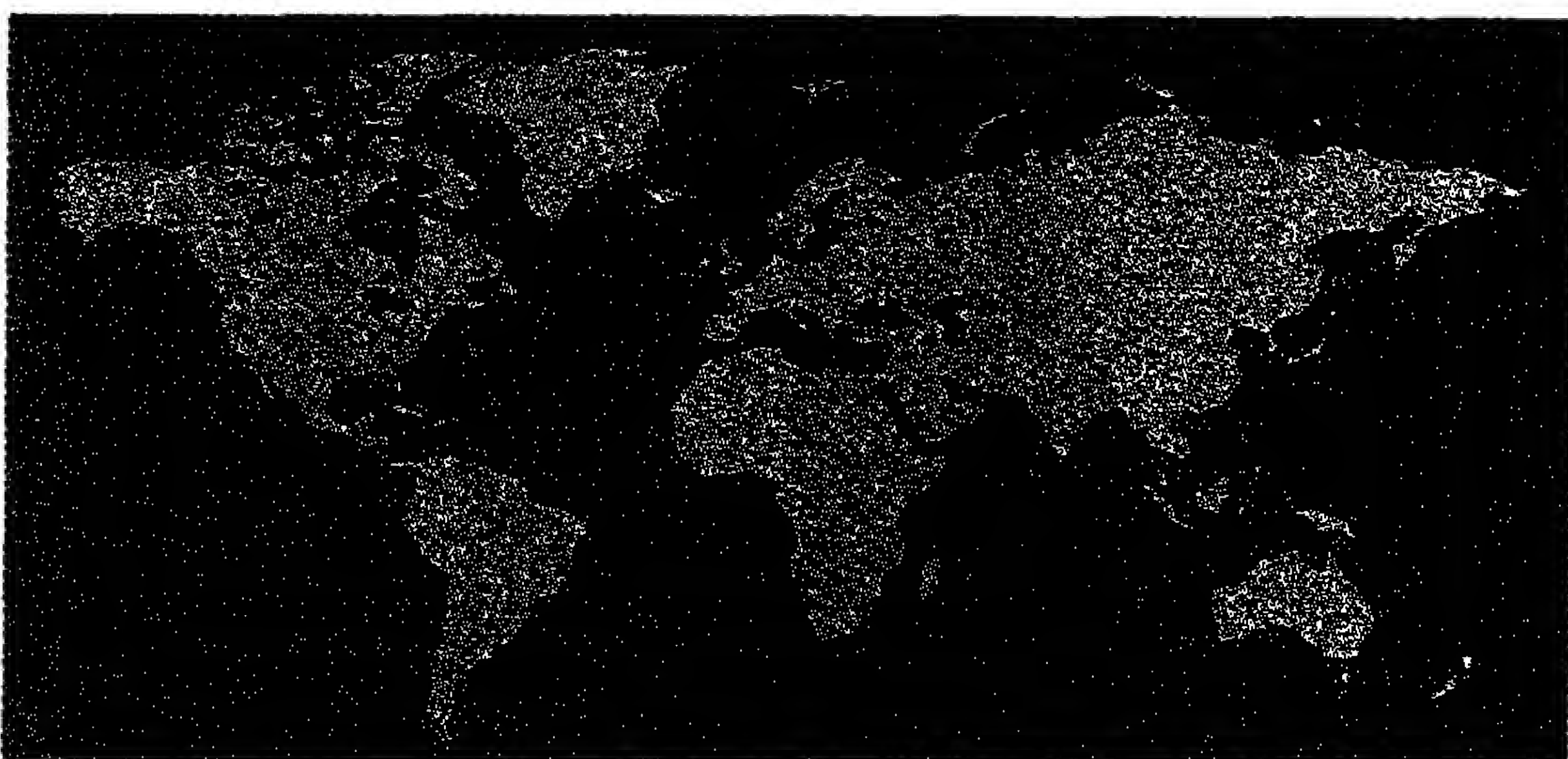
No ready-written applications software is yet available, although a spreadsheet compatible with Lotus 1-2-3 is expected by February next year. Information can be uploaded to and downloaded from another computer using a serial interface such as an IBM PC.

There are several novel functions which may prove useful. An example is the autodialer which generates audio tones to activate a touch tone telephone; some may argue that it is simpler to dial the number.

The Series 3 is a worthy successor to the Organiser: the Psion team have used the latest technology to good advantage. One quibble is whether the device is too sophisticated for those seeking only an electronic notebook, but at £199 plus VAT it hardly matters.

The series will continue next week.

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**NEW HAMPSHIRE INSURANCE CO & OTHERS v STRABAG BAU AND OTHERS**  
Court of Appeal  
(Lord Justice Lloyd, Lord Justice Stocker and Lord Justice Stuart-Smith)  
November 14 1991

AN INSURER'S action under a policy is a "matter relating to insurance" within the 1968 Jurisdiction and Judgments Convention, irrespective of whether the parties to the insurance contract were of equal bargaining power, and accordingly, in the absence of a written choice of jurisdiction clause or a written pre-1987 choice of law clause, the insurer must sue in the courts of the defendant's domicile.

The Court of Appeal so held when dismissing appeals by the plaintiff insurers, New Hampshire Insurance Co and others, from decisions by Mr Justice Potter and Mr Justice Hobhouse setting aside writs issued against the defendants, Strabag Bau AG, Biflanger & Berger AG and Universale Hoch und Tief Bauaktiengesellschaft.

In section 3 of the Brussels Convention on Jurisdiction and Judgments 1968 article 7 provides: "In matters relating to insurance jurisdiction shall be determined by this section...". Article 11 provides: "...an insurer may bring proceedings only in the courts in which the defendant is domiciled..."

LORD JUSTICE LLOYD said that Strabag and Biflanger were domiciled in Germany. Universale Hoch was domiciled in Austria. In 1981 they formed a joint venture for construction of Basra International airport. They were required to take out building insurance with the National Insurance Co of Iraq (NIC). They also took out a collective policy with New

Hampshire and other insurers dated May 18 1982.

The collective policy indemnified them against claims not covered by the NIC policy and claims which, though covered, remained unpaid after six months. It contained an arbitration clause in respect of differences as to amounts to be paid under the policy.

There was no governing law clause in the collective policy, nor a jurisdiction clause in respect of claims not covered by the arbitration clause.

The insurance was placed in the London market. The collective policy came into effect on July 1 1981. It was renewed from time to time.

In March 1989 the defendants presented claims of between £20m and £30m based on corrosion damage to the foundations of the airport building.

The insurers subsequently avoided the collective policy on the ground that prior to its renewal the defendants failed to disclose that the NIC policy had been allowed to lapse.

Writs were issued by the insurers against the defendants. The defendants issued proceedings against the insurers in Cologne.

The insurers sought leave to serve out of the jurisdiction on the ground that the contract was made in England and was by implication governed by English law.

Strabag and Biflanger applied for the writs to be set aside on the ground that the German courts had exclusive jurisdiction under the 1968 Brussels Convention.

Universale applied to set the writ aside on the ground that, as the Strabag and Biflanger proceedings were subject to the Convention, the court should in its discretion refuse leave to serve out of the jurisdiction under RSC Order 11, so that all proceedings might be heard in the same forum.

Mr Justice Potter was concerned only with the Strabag

## FT LAW REPORTS

# Insurers must sue in Germany

application. The Biflanger and Universale applications came before Mr Justice Hobhouse.

Article 35 of the 1978 Accession Convention provided that if, before entry into force of the Convention, parties to a contract had "agreed in writing" that it was to be governed by UK law, UK courts could exercise discretion in a dispute.

In interpreting that article the court must apply a purposive approach.

Mr Pickering for the insurers submitted that article 35 covered cases where the parties had chosen English law by implication. He said from 1981 when the risk was placed to January 1 1987 when the Convention came into force, if the contract was governed by English law the parties would have expected English courts to assume jurisdiction under RSC Order 11.

The submission was not accepted. It gave no force to "agreed in writing". It was not enough that the contract as a whole was in writing. What must be in writing was the agreement that the contract was governed by English law.

Paragraph 175 of the Schöller Report showed article 35 was intended to apply to persons who had agreed on a choice of law clause. There was no choice of law clause in the present case.

Mr Pickering relied on European Court decisions under article 17 of the Convention which concerned choice of jurisdiction, and which he said threw light on the proper interpretation of article 35.

They were of no help to the insurers. In every case there was a choice of jurisdiction clause.

In the absence of a written choice of law clause expressly or impliedly (see *Tilly Russ* (1984) 102 LQR 247) incorporated in the policy, article 35 did not apply.

Section 3 of the Convention, headed "Jurisdiction in mat-

ters relating to insurance" was intended to protect the small policy holder against a more powerful insurer.

When UK accession negotiations commenced, the UK proposed an amendment to section 3, to exclude large risks from the scope of articles 7-12. That proposal was regarded as "too far reaching". The problem was one of finding a suitable demarcation line" (Schöller, paragraph 140).

The insurers said the proceedings were not "matters relating to insurance" within article 7. Mr Pickering had two main arguments in support of that contention.

The first depended on consideration of section 4 of the Convention, which restricted protective jurisdictional provisions relating to credit sales, to private final consumers in need of protection.

There were two difficulties with that approach. First, there was no national legislation on insurance corresponding to credit sale legislation, which entitled the court to arrive at a limited concept of insurance.

Second, member states had already attempted to limit the definition of "matters relating to insurance" and were unable to find a "suitable demarcation line". For the court to draw a line would be to carry purposive construction beyond previous European Court decisions.

Mr Pickering's second main argument was based on the view that articles 7-12 did not apply to reinsurance contracts (see Schöller paragraph 150) because, he said, insurers and reinsurers were normally of equal bargaining power. He said the same reasoning should apply between other parties of equal bargaining power.

It would not be right to assume, he said, that the European Court had pronounced that reinsurance was not covered by section 3.

For those reasons it was held

that (1) article 35 did not apply, and (2) the proceedings were "matters relating to insurance" within article 7. Accordingly, the insurers must sue Strabag Bau and Biflanger in Germany by virtue of article 11.

With regard to Universale the question was whether it was a proper case for service out of the jurisdiction under RSC Order 11. Mr Justice Hobhouse approached the case on the assumption that proceedings against Strabag Bau and Biflanger would be heard in Germany. On that assumption it seemed obvious that the Universale proceedings should be heard at the same time and in the same forum.

It was common ground that the contract was made in England and governed by English law. So there was basis for jurisdiction under Order 11. The judge, directing himself in accordance with *Spiliada* (1987) AC 460, identified the forum where the case could be tried most suitably "in the interest of all parties and for the ends of justice".

There was no misdirection or error of principle in his approach.

The insurers said the parties had by implication chosen English jurisdiction and that accordingly English courts had exclusive jurisdiction under article 17.

Choice of jurisdiction under article 17 had to be in writing or evidenced in writing or in a form according with trade practice. European cases showed that requirement could only be met by an agreed choice of jurisdiction clause.

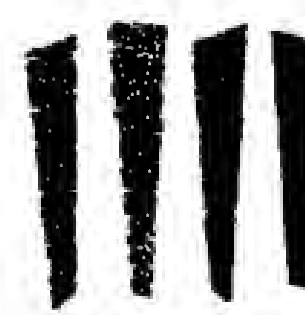
The appeals were dismissed. Their Lordships agreed.

For the insurers: *Murray Pickering QC* and *Alexander Layton (Counsel)*.

For the insured: *Timothy Walker QC* and *William Wood (Counsel)*.

Rachel Davies

Barrister



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## ARGENTINE REPUBLIC MINISTRY OF ECONOMY AND PUBLIC WORKS AND SERVICES SECRETARIAT OF TRANSPORT

### MUNICIPALITY OF THE CITY OF BUENOS AIRES SECRETARIAT OF PUBLIC WORKS AND SERVICES

According to what has been established by Law 23,886 (State Reform Law), its statutory Decree No. 1105/88 and the Decree No. 1143/91, the Ministry of Economy and Public Works and Services, in its condition of Executive Authority, with the participation of the Municipality of the City of Buenos Aires, and the assistance of the Transport Secretariat of the above mentioned Ministry and the Secretariat of Public Works and Services of the above mentioned Municipality, calls for the

#### NATIONAL AND INTERNATIONAL PUBLIC BID

for the concessioning of the operation of the subway (SUBTERRANEOS DE BUENOS AIRES S.E.) and railway (FERROCARRILES METROPOLITANOS S.A.) passenger services in the Buenos Aires Metropolitan Area, grouped in the following way:

- Group 1: The Urban and Suburban Services of the Mitre Line
- Group 2: The Urban and Suburban Services of the Sarmiento Line
- Group 3: The Services of Suburban de Buenos Aires together with the Urban and Suburban Services of the Urquiza Line
- Group 4: The Urban and Suburban Services of the Roca Line
- Group 5: The Urban and Suburban Services of the San Martín Line
- Group 6: The Urban and Suburban Services of the Belgrano Line (North)
- Group 7: The Urban and Suburban Services of the Belgrano Line (South)

This is the only and common call for a total of seven (7) bids, one for each group of services.

#### CONSULTATIONS AND PURCHASE OF THE BIDDING DOCUMENTS

At the seat of the Working Commission for Privatization, Avenida Ramos Mejía 1302 - 8° Floor - Buenos Aires - Argentina, starting on November 15, 1991, from 11 a.m. to 5 p.m.

PRICE OF THE BIDDING DOCUMENTS (to participate in the 7 bids): US\$ 20,000 (twenty thousand US Dollars).

#### RECEPTION AND OPENING OF PROPOSALS

ENVELOPE Nº 1 (common to all bids): Ingeniero Pedro Mendonzo Room, seat of the transport Secretariat Avenida 9 de Julio 1925, Ground Floor, Buenos Aires, Argentina, not later than January 31, 1992, at 4:00 p.m.

#### ENVELOPE Nº 2

- For bids of Group 1 - Mitre Line, Group 2 - Sarmiento Line, and Group 3 - Suburban de Buenos Aires and Urquiza Line at the above mentioned place, not later than April 20, 1992, at 4:00 p.m.
- For bids of Group 4 - Roca Line and Group 5 - San Martín Line, at the above mentioned place, not later than June 4, 1992, at 4:00 p.m.
- For bids of Group 6 - Belgrano Line (North) and Group 7 - Belgrano Line (South), at the above mentioned place, not later than July 23, 1992, at 4:00 p.m.

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## COLOMBIA

The FT proposes to publish this survey on December 6. This survey will be read in 160 countries worldwide, including Colombia where it will be widely distributed. In Europe 92% of the professional investment community regularly read the FT. If you want to reach this important audience, call Paul Marinaglia on 071 873 3447 or fax 071 873 3079.

Only source: Professional Investment Community 1991 (NPG Inc.)

FINANCIAL TIMES

London & Buenos Aires Newspapers

## Electricity contracts for differences.

Nuclear Electric plc hereby offers applications to tender for two-way contracts for differences against the Pool Input Price of electricity for England and Wales for the period 1st April 1992 to 31st March 1993 and for the period 1st April 1993 to 31st March 1994 ("the Periods").

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In order to receive details of the terms of invitation, including details of the contracts for which tenders are invited, interested parties should contact Mr. J. M. Maches, Marketing and Sales Dept., at Nuclear Electric, Barnet Way, Barnwood, Gloucester GL4 7BS, or by telephone (0452-653455), or fax (0452-653772), by Friday 6th December 1991.

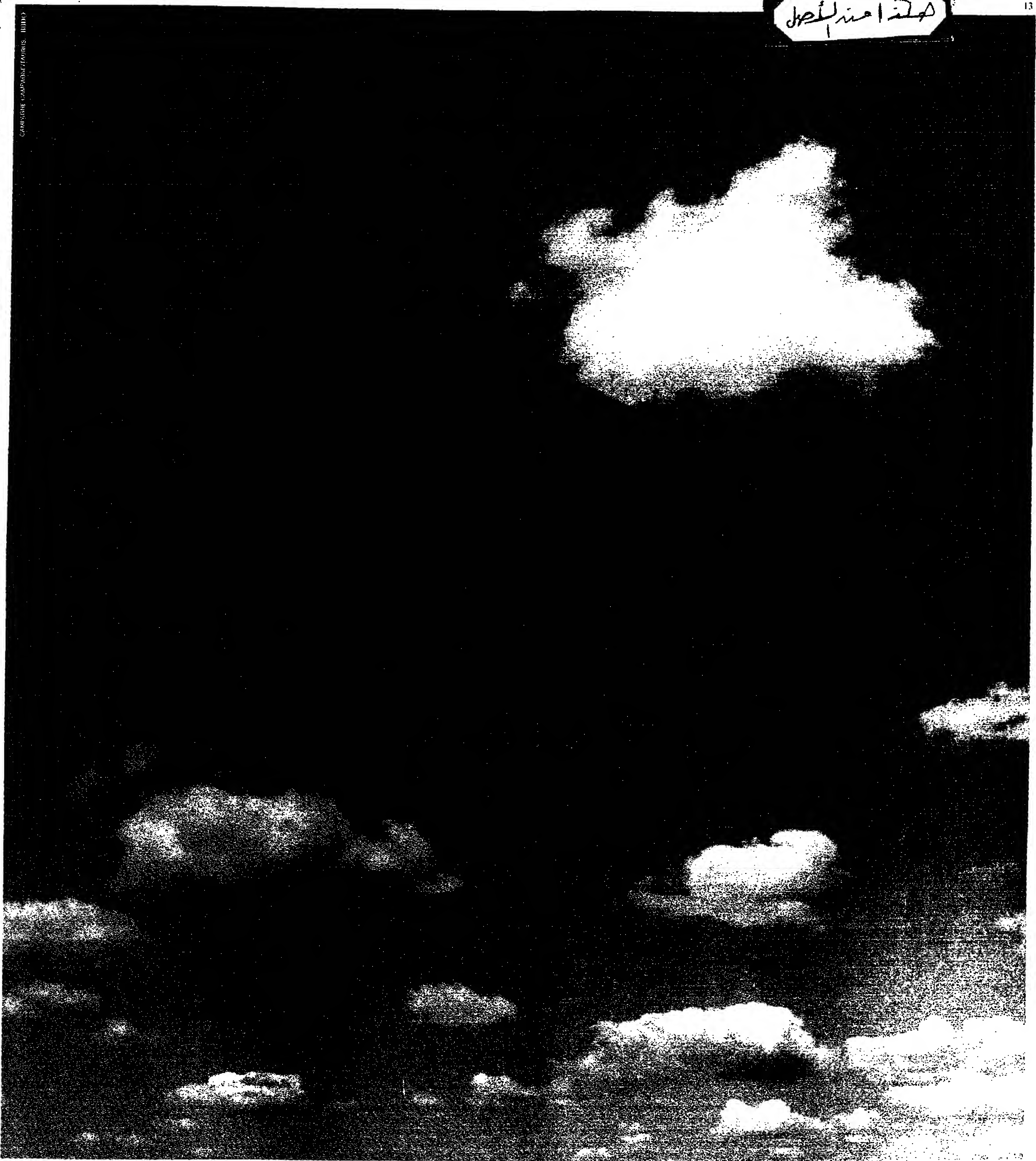


Nuclear Electric

The Directors of Nuclear Electric plc accept responsibility for the accuracy of this advertisement, which has been approved for the purposes of section 97 of the Financial Services Act 1986 ("the Act") by BDO Beesley, a firm regulated in carry on investment business in the United Kingdom and regulated in doing so by the Institute of Chartered Accountants in England and Wales. A regulated professional body approved for the purposes under the Act by the Securities and Investments Board.



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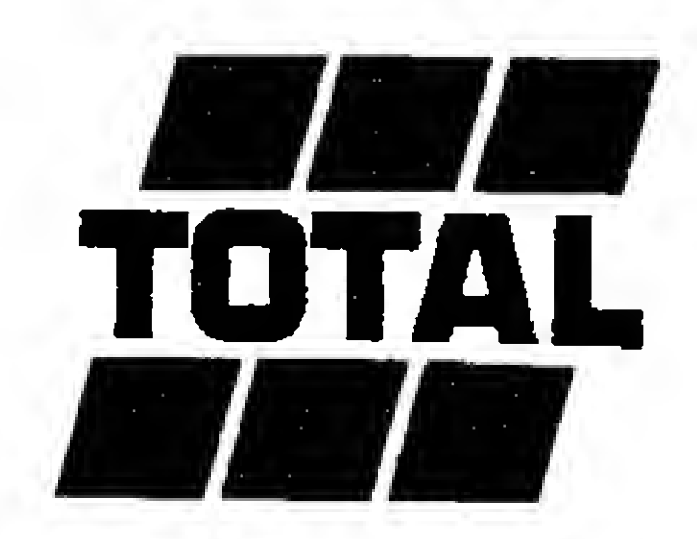
Not surprisingly, TOTAL has become the leading producer and retailer of unleaded petrol in France.

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Electricity contracts differences.





## MANAGEMENT: The Growing Business

Do Britain's small businesses need a new legal format by which to trade? Small firms and the economy in general are poorly served by the present legal structures, according to two new studies.

They call for changes to the legal framework so that business owners can enjoy the informality of operating as a sole trader or a partnership, combined with the protection provided by trading as a limited company.

The Forum of Private Business, a lobby group, urges the creation of a new company form, the "incorporated business firm".

In the second study, Judith Freedman of the Institute of Advanced Legal Studies argues for a boost to the status of sole proprietorships and partnerships.

At present, many small business owners are forced to choose a legal form which does not suit their needs. If they opt to become limited companies they are saddled with burdens, such as audits and the obligation to publish financial information. Yet these are really only relevant to larger companies where the shareholders are not the managers or so require more information.

Small businesses have three main choices open to them:

- Sole trader. This is the simplest form of ownership and is often chosen by the entrepreneur who works alone or who employs other people while retaining sole ownership.
- Partnership. This is the next simplest form of ownership and is often chosen by the entrepreneur who works with one or more partners.
- Limited company. This is the most complex form of ownership and is often chosen by the entrepreneur who works with one or more partners.

If business turns sour the sole trader can be made personally bankrupt so this for-

# When partners can prove a liability

Charles Batchelor on calls for new legal structures

mat tends to appeal to the smallest of small businesses in fields such as catering and retailing where dealings are normally in cash and customers are not granted credit.

The main attractions of being a sole trader, according to the forum survey, are: complete control by the owner; the business is simple and quick to start and it is easy to operate and with few formalities.

But many businessmen and women decide to become sole traders because they misunderstand what becoming a limited company involves, says Freedman. Incorporation does not necessarily involve sharing control with other people. A second shareholder is required but can be a nominee.

Yet does incorporation necessarily mean a worse deal in terms of tax, Freedman points out. Four out of 10 business owners in her study cited tax as a reason for not becoming a limited partnership, apparently in the mistaken belief that corporation tax was still higher than basic rate income tax. In fact, most would be eligible for the small firms' rate of tax - 25 per cent - the same rate as basic income tax.

Partnership. This also provides a flexible, unbureaucratic way of setting up in business when more than one person is involved. But its informality also carries disadvantages. Partnership law, which dates back to 1890, does not provide for the administration of the assets if a partner dies or if the partners fall out. The partners also remain personally liable for any debts.

For this reason people setting up partnerships are usually advised to draw up a formal agreement.

● The limited company. This is the most popular legal structure in the small firms sector because its owners can separate their business liabilities from their personal financial affairs. But business owners and even suppliers often insist on directors signing personal guarantees so the protection of limited liability is often illusory.

In addition, a limited company is also subject to more regulations which bring higher costs. The costs of having accounts audited and of filing annual returns are much higher than those borne by sole traders and partnerships.

The forum also questions the need for limited companies to publish financial information at all. Only one in 10 need annual accounts to satisfy their bank and most owners use their accounts purely as an internal document to assess their business performance.

However one third find that their accounts are presented in a confusing way. The forum calls for the figures to be presented more meaningfully.

The forum believes a new legal format is the answer and proposes creating the "incorporated business firm", combining the best features of all three existing business forms. These firms would file simpler accounts; their owners could choose to be treated as individuals or as companies; and they could use a simpler registration document.

Freedman, however, rejects the idea of creating a new form of business arguing that this would be likely to increase red tape. She would allow businesses which no longer wanted to remain limited companies to be treated as unincorporated without the complications of disincorporating. Owners who chose to pay income tax would automati-



Sole traders stand to lose everything when the bailiff calls

ally escape the statutory audit.

Previous attempts to devise a business format for Britain's small and medium sized businesses have come to nothing. Is the small business lobby now powerful enough to push change through?

● A Report Into Business Legal Structures. By Manchester Business School for the Forum of Private Business. Tel 0655 634467. 275, Legal Farm, Taz and the Micro Business, Institute of Advanced Legal Studies. Tel 071 637 1731.

ship agreement; and by removing the fear of the owners of unincorporated businesses that failure would lead to them losing their homes.

The owners of limited companies, meanwhile, should be allowed the choice of paying either income tax or corporation tax. This would allow businesses which no longer wanted to remain limited companies to be treated as unincorporated without the complications of disincorporating. Owners who chose to pay income tax would automati-

cally escape the statutory audit.

Previous attempts to devise a business format for Britain's small and medium sized businesses have come to nothing. Is the small business lobby now powerful enough to push change through?

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# Free enterprise puts its best foot forward

Chrystia Freeland reports on how a group of young Ukrainians is building its own underground shoe factory

Lesyk is a living rebuttal of the gloomy view that the inhabitants of the Soviet Union have lost the business instinct.

Together with two friends, the 12-year-old Ukrainian college student has built up an underground shoe factory with a weekly turnover of more than twice as much as the annual salary of his mother, a professor of engineering.

While politicians worry about the country's economic disintegration, Lesyk sees it as an unrivalled opportunity. "There is complete chaos, people feel as they never have before, and there is an empty market."

Lesyk, who asks that his surname is not used because he operates on the grey borders of the law, began making and selling shoes himself a year ago.

Then, "one fine day" he got together with two buddies and launched his business in earnest.

In a clandestine factory in an apartment basement, they now employ eight full-time workers, most in their mid-30s, and produce an average of 200 pairs of shoes a week.

Their shoes sell at a price which Lesyk says is well within the reach "of the poorest customer."

The employees, who are paid on a piece-work basis, take home each day nearly half the average monthly wage in the Ukraine.

"The main thing is not to be afraid of allowing people to earn money," he explains.

The other theme of Lesyk's business philosophy is constant growth.

"If I have money that has lain around for a week, then I consider that a wasted week," he says. He and his partners take only a few hundred rubles a month out of their business - enough for cigarettes - preferring to reinvest the rest.

In contrast with Soviet managers in the state sector, Lesyk also believes that it is "a sin" to stockpile supplies. He never keeps more than one week's worth of the 50 components needed to make his simple shoes.

Lesyk, who like most of the entrepreneurs in his city is under 40, scorns the mainstream Soviet economy.

"I cannot stand the way that people work in our factories. They work badly, they live badly, and they don't seem to care."

Doing business in the Soviet short-

age economy means that Lesyk's biggest problem is getting supplies. He admits that most of his raw materials are stolen.

Through a network of acquaintances, Lesyk finds someone who works in a shoe or artificial leather factory and arranges to purchase supplies which the worker has stolen.

Another source is the warehouses where raw materials are stored. Lesyk says this is more complicated, not because security is higher (he laughs at the suggestion) but because warehouses have fewer workers and thus it is statistically harder to find a friend of a friend willing to steal the supplies.

Lesyk is unrepentant about buying "hot" raw materials. He says he has purchased his supplies above board

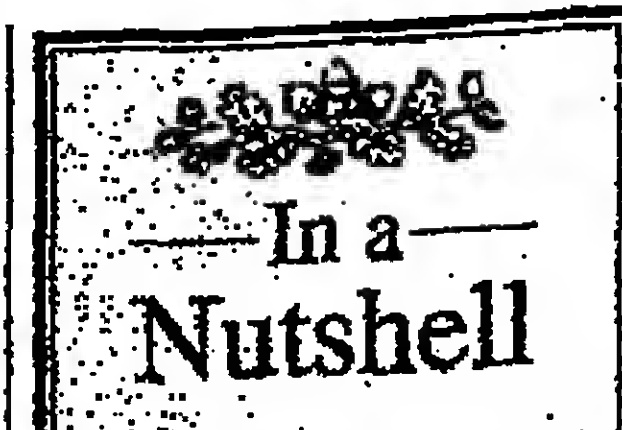
from the factory would require a massive bribe, probably in hard currency. Lesyk has the resources, but he thinks that it is immoral to enrich corrupt Soviet bureaucrats.

Chronic shortages also have their advantages. "Through Lesyk's shoes are of inferior quality, the only time he failed to sell out his stock was when an early snowfall made sandals unpopular."

Moreover, Lesyk says Lvovites, who live less than an hour's drive from Poland, are relatively discerning customers.

"He dreams of expanding his operation into the more deprived east."

"Moscow is a huge hole, and there is all of Siberia. Oh, what a market!"



## Insurance worry for small firms

New European Community moves to strengthen consumer protection legislation could result in prohibitive insurance bills for small firms in the services sector, the Institute of Directors warned.

Some smaller suppliers may not be able to obtain cover at all if the proposed directive on the legal liability of suppliers of services goes ahead, the IOD said in a discussion document.

The new legislation would affect businesses such as car servicing, office cleaning and hairdressing. It would place the onus on the trader to prove he was not at fault if his service was claimed to have caused personal injury or damage to property. The consumer will only have to prove that the damage occurred and was caused directly by the service. This reverses the position under present UK law.

The IOD believes the new legislation, due to come into effect in 1992, is not necessary because consumers do not generally buy services outside their own country; the initial supplier would be liable even if the service was provided through an independent agent; and it would not create equality of treatment because compensation levels vary by up to 250 per cent in different member states.

Smaller firms would almost certainly be faced with paying proportionately greater premiums because of the relatively higher costs of setting up smaller policies, it argued.

"The Liability of Suppliers of Services, Director Publications, Mountbatten House, Elizabeth Street, London SW1W 9RB. 14 pages. £15.

**Lifting the fog on patents**

Patenting an invention can be an essential but confusing process for the inventor who wants to protect his creation. As part of an attempt to lift the fog of incomprehension the Patent Office has produced three videos on how

to patent an invention, how to register a design, and how to register a trade or service mark.

The videos are accompanied by a reference brochure explaining the processes and issues outlined in the videos. Video and brochure only cost £30 each plus VAT or £75 plus VAT for all three.

The Patent Office also plans to publish specialist reports (costing £75 each) giving details of every patent in a number of different fields.

The subjects covered are single-use hypodermic syringes, computer turntables, food additives, industrial water treatment, mycobactericides, pipeline "pigs" and seat boards.

"The Patent Office Information Centre, PO Box 2217, London NW5 1AX.

## IT specialists fail to find backers

British venture capitalists are reluctant to invest in information technology (IT) businesses, according to a survey by Warwick Business School's accountants Arthur Andersen.

The acceptance rate for IT proposals is 2.3 per cent compared with the average for all proposals of 4.3 per cent. IT deals are seen as being high risk and acceptance criteria are much stricter.

Sixty-four per cent of venture capitalists do not have a background in industry or technology so their understanding of the issues is limited, the survey concludes.

"From Arthur Andersen Tel 071 438 3307, £200.

## Unravelling the Finance Act

The 1991 Finance Act, a succession of Inland Revenue statements of practice and decisions by five courts have all had an impact on the tax system as it affects business. An explanation of the recent changes is contained in Business Tax Planning, a booklet from accountants Pannell Kerr Forster (PKF).

The booklet includes a review of the latest state of tax planning for partnerships, proposed changes for the taxation of the self-employed and funded unapproved retirement benefit schemes.

"From PKF, 78 Hatton Garden, London EC1N 8JA. 84 pages. £2.

## BUSINESS OPPORTUNITIES

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A substantial plc wishes to acquire manufacturing businesses with annual turnover in excess of £1.0 million. Existing profitability is not a major consideration but we would require at least 50% of output to be derived from proprietary products. Preferred areas of interest are hydraulic and electro-mechanical equipment, perhaps but not necessarily targeted at the Defence market.

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No intermediaries please.

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## BUSINESS WANTED

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## BUSINESS FOR SALE

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Ross

## Knight-Fletcher Print Limited

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The Joint Administrative Receivers, L. H. Gatoff and L. Brown, offer for sale the business and assets of the above company.

- The company specialises in four and single colour litho printing, principally on Heidelberg machines.
- Well established quality customer base.
- Experienced workforce.
- 10,000 square foot leasehold premises.
- Annual turnover of £1.2 million.

For further details please contact M. B. Jackson at the address below:

93a Grey Street, Newcastle upon Tyne, NE1 6EA.  
Tel: 091 261 4111. Fax: 091 232 7665.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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RossThe Fitzrovia Catering Company Limited  
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(Both in Administrative Receivership)

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- Office and moorings at Lambeth pier, opposite Houses of Parliament.
- Two Dutch barges, 29m x 5m.
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Further details are available from Peter Bendall or Tom Keenan at the address below:

Reliance House, 20 Water Street, Liverpool L2 8UY.  
Tel: 051 236 0941. Fax: 051 236 2877.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## V. Schaverien (Caterers) Ltd

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of this highly respected Kosher catering company.

- ◆ First class catering company established since 1932.
- ◆ 2 specially equipped freehold warehouses and kitchen units.
- ◆ Turnover to year ended 31st December 1990 £3.8m.
- ◆ Current order book in excess of £1m.
- ◆ Impressive share of top end of the Kosher catering market.

For further details please contact The Joint Administrative Receivers, Raymond Hocking, FCCA or Malcolm Cohen FCA, at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888 Fax: 071-487 3686. Ref. 7/PM5.

## STOY HAYWARD

Accountants and Business Advisers A member of Horwath International  
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Sheffield Ski  
Village Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of Sheffield Ski Village Limited.

- Operator of 6 dry ski slopes, the longest being 335m long
- Long leasehold premises situated at Vale Road, Palmwood Springs, Sheffield
- Planning permission for ski lodge
- Established in 1988
- Estimated annual turnover of £600,000

All enquiries to Joint Administrative Receiver Mark T Dobell, Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA.

Telephone: 0532 431221 Fax: 0532 442241.

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- Independent co-educational school for catering for 8-16 year olds
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For further details please write to:

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Pannell Kerr Forster  
Horsefield House  
3 Horsefield Street  
Leicester LE1 5BA

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- Annual turnover c.£4.5m
- Leasehold interests - 45 shops
- Franchise agreements - 44 shops
- Concessions - 4 shops
- Substantial stock of hire formalwear
- Offered for sale as a whole or in lots.

For further details please contact the Joint  
Administrators: D D McGruther or  
Jonathan M Birch, Grant Thornton,  
112 West George Street, Glasgow, G2 1QF.  
Tel: 041-332 7484. Fax: 041-333 0581.

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## Materials Handling Company

The Administrative Receiver offers for sale on a going concern basis the business and assets of Concord Mechanical Handling Ltd.

- ◆ Specialists in hire and sale of equipment to the construction industry.
- ◆ Operating from 3 leasehold/freehold sites in East London, South West London and Heathrow.
- ◆ Customer base of more than 7,000 in the construction, civil engineering, building and hire trades.
- ◆ Turnover in excess of £1.2m.
- ◆ Fully computerised stock and accounting systems.

For further details please contact the Administrative Receiver Raymond Hocking, FCCA at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888 Fax: 071-487 3686. Ref. 13 MJL-DWC.

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OPPORTUNITY

A multi-shop franchisee of The Body Shop is considering making his shops available for sale either as an entire group or as individual franchise areas. He is a sole trader currently operating 3 shops in Newcastle, 2 in the Metro Centre, Gateshead and 1 each in Sunderland, Durham, Wakefield and Scarborough.

Sales in the last financial year were substantial, as have been profits for the last three years. Sales for the current financial year ending 30 April 1992 are expected to show a major increase with a rise in profits over last year of 20% - outstanding figures in the current retail climate.

The owner of these shops is also the Head Franchisee for The Body Shop in France and now has 10 shops in France. The intention is to open a further 90 shops over the next four years - a development programme which is both ambitious and demanding. It is for this reason that he has decided to consider offers for his UK shops.

Any disposal of the group, in whole or in part, will only be made to parties who can clearly demonstrate that they have the ability to maintain and continue to develop the principles of The Body Shop and the successful growth of these UK shops.

Serious enquiries from genuine buyers (principals only) should be made to:

Mr. J. P. Pickering, BA, ACA, ATE,  
The Body Shop,  
Nickalls House,  
Metro Centre,  
GATESHEAD,  
Tyne and Wear, NE11 9NH  
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Principal features include:-

- Some of the most respected Brand Names in the industry
- An extensive range of quality products
- Turnover for current year to 31st December 1991 expected to be £2.5m.
- Current order book in excess of that at 1990 levels.
- Leasehold factory, at very economical cost, in East Anglia.
- £1.5m required which can all be secured.

For details write: A J Richards & Co., The Coach House, Bill Hill Park, Wokingham, Berkshire RG11 5QT. Tel: 0734 776744 Fax: 0734 785199



## BUSINESSES FOR SALE

## Stag Microsystems Limited

The Joint Administrative Receivers offer for sale as a going concern, the business and assets of Stag Microsystems Limited.

The Company, based in Welwyn Garden City, Hertfordshire, was established in 1974 and produces its own range of E/EPROM and PLD programming equipment.

Principal features include:

- Annual turnover in excess of £2.8 million.
- Plant and machinery including testing and scientific research equipment and advanced design tools.
- Valuable intellectual property rights.
- Substantial order book and prestigious customer base.
- Skilled workforce.
- Stock.

For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Pat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF. Telephone: 0727 43000. Fax: 0727 41005.

**KPMG** Corporate Recovery

## Timber Importing Agents

Brandts (UK) Plc and its subsidiaries  
(In Receivership)

- Major UK timber importing agents
- Agents for suppliers in Russia, Scandinavia, South America and the Far East of a complete range of timber products.
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## LEGAL NOTICE

## IN THE HIGH COURT OF JUSTICE

## CHANCERY DIVISION

Re: CSFB (Fixed Assets) Limited

Re: The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 13th November 1989 confirming the reduction of the capital and the consolidation of the Shares Premium Account of the above-named Company and the letters approved by the Court showing with respect to the capital and the consolidation of the Shares Premium Account of the above-named Company are registered by the Registrar of Companies on the 15th November 1991.

Dated the 15th November 1991

LEWIS & PARKES

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## NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

ADMINISTRATIVE RECEIVERS

Registration number: 1251/894

Date of Appointment of Administrative Receiver: 10th November 1991

Name of person appointing the administrative receiver: The Royal Bank of Scotland

Administrative Receiver: Peter S. Dunn PCA, David A. P. Wood PCA, Leitham Crossley & Danks

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NOTICE IS HEREBY GIVEN that resulting from the corporation's declaration of a dividend of \$0.40 (gross) per share of the common stock of the corporation payable on the 10th December 1991, there will become due in respect of the bearer depositary receipts a gross distribution of 2.00 cents per unit. The depositary will give further notice of the sterling equivalent of the net distribution per unit payable on and after the 16th December, 1991.

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## MANAGING FOR RECOVERY

The FT proposes to publish this survey on December 5th 1991. With signs that the UK recession is coming to an end and that economic recovery is on its way The Financial Times will take an in-depth look at the problems that this will create and the areas which will require special attention to ensure a company's survival. If you want to reach the estimated 1 million readers in 160 countries worldwide who will read this survey, please contact Sara Mason on 071 873 3349 or Fax 071 873 3064.

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## ARTS



Two of the four contenders: abstract artist Fiona Rae; and sculptor Anish Kapoor

## The changing expectations of the Turner Prize

The Prize is no longer the test of merit originally intended, argues William Packer

Tonight, after dinner at the Tate Gallery, the winner of the Turner Prize for 1991 will be announced. After a year in abeyance following the failure of its former sponsors, the reinstatement of the Prize, now under the sponsorship of Channel 4, has generated much interest. Indeed the latest modification to the rules and the announcement in July of the short-list for the year have given rise to more controversy than any Prize since its inception seven years ago.

So for the seventh running of this now dubious autumn handicap – not the genuine test of merit originally intended – we have runners restricted by an age limit of 50 and the smallest field ever. Of the four candidates, two are painters, two sculptors; two are men, two women; three are under 30 and one a Grand Old Man of 37.

The citation, too, hints at just how much expectations have fallen. Two years ago it was "an outstanding achievement and contribution" that was asked for: now it is "become merely an outstanding exhibition or other presentation of work." The truth is out at last. It is not the

work itself, for whatever intrinsic qualities or powers it might possess, but the exhibition that is the thing, the *mise en scène*, the presentation, the values of fashion and the market place. After all that, who really cares or even notices that the Prize itself has been doubled in value to £20,000?

The trouble is that, unlike the Booker Prize for fiction, for example, the Turner has never attached to a particular work of art but always to a body of work and thus to a reputation. A novel takes time to achieve, just as does that body of work, and its publication is not so very different in principle from an exhibition. But it is a custody of our attitudes to visual art since the onset of modernism that we have become reluctant to see and judge the particular painting or sculpture for itself. The Modern Artist works *en série*, has his periods and phases. We may still speak of the Great Artist, but we seldom do so now of the Masterpiece.

This critical trait deflects critical attention away from the work, from what is actually done, onto the artist himself. How refreshing it would have

been, for all the inherent difficulties, had the Turner Prize juries been required to address themselves simply to the best work of art produced in Britain in the previous year. The opportunity was and remains there to be taken.

What we have had instead is a competition certainly not fixed in any corrupt sense, but dominated and determined by set attitudes and interests. In what the jargon tells us is now an open and pluralistic post-avant-garde world, the view taken by successive juries has been the conventional consensus view of curators and dealers in international modern art. And what they hold to be significant is as narrowly conventional as it has ever been, still fixed upon the value of novelty for its own sake and a fond, exclusive belief in the continuing vitality of the avant-garde.

On the short-lists overall, sculpture has predominated over painting, with conceptual art by no means overlooked. Of a smattering of figurative painters, only one has been a truly objective painter. The failure to give Lucian Freud the Prize for 1989 was a sad, sour joke. The supply

has come largely from the surprisingly few major dealers whose stables have served the Arts and British Councils and the domestic and international museum circuit so conspicuously these past 20 years – Lisson, d'Offay, Waddington.

So to the runners for 1991, who have been in the paddock at the Tate, in a special display, for some time (until December 8). Anish Kapoor (Lisson) is at 37 the only candidate of any actual international standing. He was the British representative at the Venice Biennale of 1990, where he won the Premio Duemila for young artists and indeed made an outstanding contribution with his room full of hollow standing stones, their interiors spaces made infinitely dense with pigment. His must be the shortest price ever.

Rachel Whiteread (28: Karsten Schubert) is the other sculptor. She makes casts or moulds of a mattress, perhaps, or a bath or basin, by which, in the words of the citation, she gives "presence to the space defined by domestic objects".

Ian Davenport (25: Waddington) makes large abstract paintings after the fashion of Morris Louis a

generation ago, though without such delicacy, invention, variety or colour sense. He disposes his household paints and varnishes decoratively enough, pouring them down the canvas now this way, now that, through which "rigorous structure (his) pictures attain an emotional detachment". I suppose they do.

Fiona Rae (28: Waddington) is another abstract painter, though her generous eclecticism draws more upon expressionism and surrealism than on colour-fields and drips. Picasso, Miró, Tanguy, Uccello, Schnabel – who knows where she will look next. Her paintings "ask why we suspend our critical awareness of the mechanics of painting... surrender so willingly to the illusion that something is actually depicted". Hmm.

For Anish Kapoor not win in this company must put the future of the Prize in serious jeopardy, for he would never take such a farago even half-seriously again? "He looked again, and found it was/ A Bar of Mottled Soap/ 'A fact so dread, he faintly said/ 'Extinguishes all hope!'"

## Mozart 200

### BARBICAN HALL

In the 18th century music lived just as quickly as it does today. Less than 50 years after the first performance of Handel's *Messiah*, Mozart was commissioned to make an arrangement of the oratorio that would suit the style and instruments of the day.

On Saturday it was this *Messiah* that was chosen to represent the year 1789 in the Barbican's chronological Mozart 200 festival. The arrangement is an entertaining affair, which has gained in popularity to the point where one can find oneself hearing Mozart's version more often than Handel's original. Jeffrey Tate gave a last-minute account of it in this hall last year and what was missing on that occasion was made abundantly clear here.

For this performance, under the direction of Charles Mackerras, was tinglingly alive. Through the Italian operas in which each excelled, Handel and Mozart shared a common Italian foundation in style. This is one reason why Mozart's *Messiah* works and also why Mackerras, a recognised exponent of both composers' music, should make such a success of it, dramatising the oratorio with a vividly theatrical sense of pace and energy.

There is nothing flabby about a Mackerras performance. The speeds are sprightly, the rhythms trim, the textures carry no excess weight. Under his baton the English Chamber Orchestra and the Tallis Chamber Choir sounded leaner and tighter than for many a month.

There was also a fine quartet of soloists. Soprano Felicity Lott sang in a style that might have been too soaked in sensuous beauty for Handel, but con-jured an apt picture of Mozart's *Figaro* Countess here. Sarah Walker and Anthony Rolfe Johnson had been among Tate's quartet: the mezzo wants natural gravitas of expression, though she bit into the text forcefully, while the tenor was marvelously fluent and expressive, as always.

The most striking, however, was Bryn Terfel's bass, imposing, full of character, the big voice easily produced, with all the refiner's fire and the last trumpet's clarion brilliance. Towards the end the audience started applauding every aria and with singing like this one was tempted to join in.

Richard Fairman

### OBITUARY

## Freddie Mercury

Freddie Mercury, who has died of AIDS at the age of 45, was the lead singer, writer and flamboyant front man of Queen, the most enduring, and successful, British rock band of the last two decades.

Mercury and Queen were irrepressible, carrying on with their brand of glam rock while fashions changed around them. The sight of Mercury working the stage, often dressed in white like an R&B PT instructor, but quite capable of camping it up in wig and falsies, was popular throughout the world.

A Queen concert was always a blockbuster. It was quite appropriate that their first big album, in 1975, should be *night at the opera*, which included the smash single "Bohemian Rhapsody", a pre-tentious mixture of rock, bal-ladry and opera which lasted almost 10 minutes.

Queen, of which Mercury was always *primus inter pares*, was the most innovative band in British popular music. In album sales – 13m globally – it is outstripped by the Beatles and the Rolling Stones but its four members managed to stay

together for 20 years, to pioneer such marketing innovations as the promotional video and the spectacular road show, to score a major film (*Flash Gordon*), and to persevere with a style of music which endured the critical reaction of the punk era to infiltrate the national psyche into which Neil Kinnock unknowingly tumbled when he led the Labour Party into a ragged version of "We are the champions" at the October party conference.

Mercury never attempted to be a role model, to encourage the public into his off-stage existence. As he prowled the stage in a succession of provocative costumes, you often sensed the lonely existence of an outsider who was never to find personal happiness. It was a knock out performance, but very much an act.

Queen gave up touring in 1985 but with typical acumen released another compilation of their greatest hits in time for Christmas. Two weeks ago it was Number One, a fitting finale for Mercury, one of pop music's most singular souls.

Antony Thornecroft

## Opera survives in east Germany

Erfurt in Thuringia is a typical east-German provincial city: thousands of unemployed, high pollution levels, low morale. Audiences at the 700-seat Opera House have barely picked up from the rock bottom of 12 months ago. The exterior of the building literally crumbles in the hands of vandals. The musical infrastructure erected by the Communists in Thuringia – 16 orchestras, eight of them working in theatres with their own chorus and ensemble – is also disintegrating. With little in the way of local tax revenue, the performing arts are surviving on temporary hand-outs from Bonn, which are expected to run out next year. Incredibly, however, there has been no drop-off in artistic standards if this new production of *Der fliegende Holländer* is in any way typical.

In a country where *Werkzeuge* has become a dirty word, here was an interpretation of Wagner's romantic opera that remained faithful to the composer rather than to the producer's ego. Despite a bare stage in the opening scene, there was a powerful sense of storm, sea and sky, thanks to the descriptive use of lighting projec-

tions and chorus movement. When the Dutchman spoke of jewels, a chest of glistening treasure appeared. The spinning scene featured a row of genuine spinning-wheels. In the great central duet, Senta and the Dutchman related to each other with magnetic human compassion. Despite the absence of the Dutchman at the final curtain, the staging left no doubt that Senta remained faithful to the end.

The producer of this consistently gripping drama was Matthias Pohl, who along with 41 others was recently made redundant by the theatre in Rostock. Among the cast there were no great voices waiting to be discovered – but they were no worse than many earning four or five times as much in similar-sized houses in west Germany. And they made a true ensemble.

This was the "B" cast, heard 24 hours after the premiere. Sigis-Alfonso Dirse, one of two Lithuanians in the cast, sang the Dutchman with penetrating tone and cut a mysterious, tragic figure. The Senta, Eva-Maria Brachmann, made up for lack of vocal colour with her radiant acting. The speeds chosen by the conductor,

Wolfgang Rögner, kept the strings hard-pressed, and there were some raw textures and lapses of ensemble. But this was an exciting, no-nonsense reading: rare is the performance which communicates operatic truths as directly and honestly as this.

With its piquant use of the German language and comic moralising, *Le Grand Macabre* seems tailor-made for the German stage. But apart from the 1978 Hamburg production and a couple of provincial stagings in the early 1980s, German theatres have fought shy. The Communist East's distaste was understandable: Ligeti's pantomime of obscenities and absurdities was simply too subversive. In West Germany, its blisful ambiguity seems to have prevented early acceptance.

This season signals a change of heart, with no less than five stagings in German-speaking Europe. Leipzig leads the way. *Le Grand Macabre* could almost have been written as a parable of the east German experience, in which a land of political can-can and secret police turns into an equally unsatisfactory afterworld, with only a pair of sensual young

lovers to proclaim the merits of the eternal here and now.

Joachim Herz, returning to Leipzig after an eleven-year gap, draws a depressing moral from the tale. History in general, and the 20th century in particular, tells us that mankind is irreparably flawed, unable to learn from past or present. His vision of "Breugelland" (Ligeti's deliberate misspelling) is not some far-off cosmos, but a mirror of contemporary humanity, incapable of taking death seriously. Hence Peter Sykora's permanent set of banana boxes, with a supermarket trolley fronted by a smiling sheep's skull to carry Nekrotzar on his travels, and a magnificent construction of dirty washing, burnt bratwurst and cobwebs in the Astrologer's lair.

Aided by a cast of first-class communicators, Herz makes sure that political satire and verbal wit take pride of place. Thanks to the Stasi, the secret police episode is played for irony rather than for humour. Teutonic pessimism rules the day.

So the onus falls on Ligeti's music to keep us amused. It was not enough. The score is certainly one of the most

singable of all modern operas. Its vocabulary of reat-end noises and whispering makes it also just about the most graphic. But apart from the bewitching soprano coloratura and the instrumental crescendo of the grand Passacaglia, the second half came across as a patchwork of instrumental effects and speech-song, dragged out for too long.

The cast and conductor could hardly be blamed. Volker Rohde secured eloquent responses from the Gewandhaus players, supplemented by a children's band to execute the fanfares of motor horns and electric bells. Full marks, too, to the cohesive Ligeti ensemble, Tomas Möwes, who made such an impression in *Doktor Faust* last season, brought his well-sung bass-baritone to the part of Nekrotzar; Sonja Pascale's Chief of Secret Police sang her high soprano lines with featherweight aplomb, and Christa Puhlmann-Richter's Mescalina, partnered by Ude Krekow's weak-kneed Astrologer, was a perfectly vulgar Hausfrau.

Andrew Clark

### Two new awards on the ABSA list

The annual prize day for those who have sponsored the arts above the call of commercial duty was held at the National Theatre yesterday. This has rapidly become the occasion for the arts, a sign of the importance of sponsorship, now totalling at least £57m a year.

The judges produced a more interesting list this year, bad news for those middle sized companies who spend modest sums year after year. There were two new prizes, for Long Term Commitment, hardly a Bugles Turn since it was won by Digital which has now claimed four awards in five years. The other newcomer was Sponsorship by a Small Business, shared between Banbury Plastics, for helping Banbury Museum's project, "The Coming of the May", and Bryant & Tucker, which commissioned a "Concerto for embroidery machine and percussion". Other winners were: Art &

Urban Regeneration: Citibank; Art & Disabled People: Purloine International; British Art Overseas: United Distillers for the Japanese tour by Scottish Ballet; New Art: Barclay's for "New Stages" at the Royal Court; Corporate Programme: British Gas; First Time Sponsor: Silhouette for Egon Schiele at the Royal Academy; Single Project: Prudential for its Annual Arts Award; Youth: Woolwich Building Society for its young playwrights competition.

Jazz carried off its first ABSA with the National Youth Jazz Orchestra receiving the BP Arts Award while the *Daily Telegraph* Award, given by the sponsor of the present, went to that great sceptic of sponsorship, Philip Hedley, director of the Theatre Royal, Stratford East.

Antony Thornecroft

## INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

### BERLIN

Schlosspark-Theater 20.00 Alfred Kirchner's production of Mozart's *Der Schauspieler* directed by Sebastian Lang, also Sun (7931 515)

### BIRMINGHAM

Symphony Hall 19.30 Kent Nagano conducts the CBSO in Prokofiev's Sixth Symphony, Takemitsu's *A Flick Descends* and Chopin's Second Piano Concerto, with Artur Pizarro, repeated tomorrow in Cheltenham, Thurs in Birmingham and Fri in Warwick. Tomorrow: Vienna Boys Choir. Fri: Barry Wordsworth conducts an evening of operatic favourites (021-212 3333)

### CHICAGO

Civic Opera House 19.30 Bruno Bartoletti conducts Liviu Ciulei's Lyric Opera production of *The Gambler*, sung in English with a cast including Jacques Trussel, Felicity Palmer and Emily Golden, repeated on Sat. Tomorrow and Sat. Antonio Pappano conducts *L'elisir d'amore*, with a cast including Cecilia Gasdia, Jerry

Hadley and Claudio Desderi (392 2244). Tomorrow, Fri and Sat in Orchestra Hall: Daniel Barenboim gives the American premiere of York Höller's Piano Concerto, with the Chicago Symphony Orchestra conducted by Pierre Boulez (435 6666)

### GENOA

Teatro Carlo Felice 20.30 Fabio Luisi conducts Otto Schenk's production of *Un ballo in maschera*, with a cast led by Maria Guleghina, Giorgio Zancanaro and Kalud Kaldov. Runs with alternating casts till Dec 11, with next performances on Thurs, Sat and Sun (589329)

### LONDON

DANCE Sadler's Wells 19.30 London Contemporary Dance Theatre: four choreographies including Dorr and Gai's *Rikud* and Dan Wagoner's *White Heat*. Daily till Sat. Next week: Paul Taylor Dance Company (071-278 8916). Covent Garden 19.30 Royal Ballet in a new work by William Tuckett, plus choreographies by Balanchine and Jonathan Burrows. Tomorrow and Sat: Simon Boccanegra. Thurs: Fokine's *Les Sylphides* and three other ballets. Fri: David Bintley's *Cyano* (071-240 1068)

MUSIC Barbican 19.45 Prokofiev Festival: Maxim Shostakovich conducts the LSO in suites from *Lieutenant Kije* and *Romeo and Juliet*, with Alexander Slobodyanik soloist in the First Piano Concerto. Tomorrow: Dmitri Sitkovetsky and Dmitri Alexeev play Prokofiev's music for violin and piano. Thurs:

Martha Argerich plays the Third Piano Concerto (1-538 8891). Royal Festival Hall 19.30 Kurt Masur conducts the London Philharmonic in Shostakovich's Fifth Symphony and Sibelius' Violin Concerto, with Viktoria Mullova. Tomorrow: Leonard Slatkin conducts Vaughan Williams' Seventh Symphony. Thurs: Mark Wigglesworth conducts Mahler's Tenth. Fri: Finnish Radio Symphony Orchestra. Sat: James Judd conducts *The Planets* (071-928 8200). Queen Elizabeth Hall 19.45 Oliver Knussen conducts the London Sinfonietta in Hans Werner Henze's *Voices*. Tomorrow and Fri: Opera Factory production of Don Giovanni (071-928 8800)

### MADRID

This week's events at the Auditorio Nacional de Musica include two concerts tomorrow evening: the Sinfonia Varsovia in the Sala Sinfonica, and the Madrid Civic Orchestra in the Sala de Camara. On Thurs, the Soviet Radio Symphony Orchestra plays in the Sala Sinfonica, while Victor Martin conducts the Spanish Chamber Orchestra in a Vivendi programme in the Sala de Camara. On Fri, Sat and Sun, Michael Schoenwandt conducts the Spanish National Orchestra in music by Sibelius, including the *Kullervo* Symphony with Helena Dosse and Walton Greenrocks. There is also a late-evening concert on Sat by the City of London Sinfonia (337 0100)

### MUNICH

MUSIC Staatsoper 19.30 Michael Boder

conducts Krzysztof Penderecki's new opera *Ubu Rex*, staged by August Everding in designs by Roland Topor. The cast is led by Robert Tear and Doris Soffel. Tomorrow: Cav and Pag with Vladimir Atlantov and Piero Cappuccilli. Thurs and Sat: John Cranko's production of *Romeo and Juliet*. Fri: *Il barbiere di Siviglia* (221316). Philharmonie 20.00 Sergiu Celibidache conducts the Munich Philharmonic Orchestra in Bruckner's Sixth Symphony. Also tomorrow, Fri and Sat (48098 614). Herkulessaal der Residenz 20.00 Gidon Kremer is director and soloist with the Deutsche Kammerphilharmonie in a programme including two Mozart violin concertos. Thurs: Viktor Tretyakov plays Vivaldi's Four Seasons. Sat: Prague Chamber Orchestra plays Mozart (289901)

### THEATRE

Kammerspiele This week's repertoire includes Thomas Langhoff's production of Goethe's *Stella* tomorrow, plus Ibsen's *The Lady from the Sea* on Thurs and Fri (23721 328). Residenztheater The Bavarian State Theatre has a new production of George Tabori's play *Nathan's Death* (tomorrow and Thurs) as well as Ferdinand Reinhold's *The Spenchthrift*, showing tonight and Fri (225754)

### NEW YORK

Avery Fisher Hall 19.30 Charles Dutoit conducts the New York Philharmonic Orchestra in Mozart's Symphony No 14, Bartok's *Miraculous Mandarin*, Beethoven's *Chaconne* and Suite No 2 and

Tchaikovsky's Violin Concerto with Midori. Fri, Sat and next Tues: Erich Leinsdorf conducts a programme including Richard Strauss' *Sonatina No 2* for 16 Winds (875 5030). Metropolitan Opera 20.00 La Traviata. Thurs and Sat: John Cranko's production of *Romeo and Juliet*. Fri: *Il barbiere di Siviglia* (221316). Philharmonie 20.00 Sergiu Celibidache conducts the Munich Philharmonic Orchestra in Bruckner's Sixth Symphony. Also tomorrow, Fri and Sat (48098 614). Herkulessaal der Residenz 20.00 Gidon Kremer is director and soloist with the Deutsche Kammerphilharmonie in a programme including two Mozart violin concertos. Thurs: Viktor Tretyakov plays Vivaldi's Four Seasons. Sat: Prague Chamber Orchestra plays Mozart (289901)

### PARIS

Palais Garnier 19.30 Opera Ballet in three Jerome Robbins choreographies, daily till Sun (4017 3535). Philippe Entremont conducts the Ensemble Orchestral de Paris in a gala with prize-winners of the Thibaud/Long piano competition. Thurs: Valery Gergiev conducts the Orchestre National de France (4720 3537). Châtelet 20.30 Broadway production of *West Side Story*, daily except Mon till Jan 26 (4028 2840)

### STRASBOURG

Theatre Municipal 19.00 Giuliano Carella conducts Bruno Stefano's production of *Semiramide*, with a cast led by Maria Dragoni and Chantal Dubarry, repeated on Fri and Sun in Colmar (8875 4823). Fri in Palais de la Musique: Tiziana

Fabbrianti sings arias by Donizetti, Puccini, Verdi and Massenet (8837 6777)

### WASHINGTON

Kennedy Center Concert Hall 19.00 André Previn conducts the National Symphony Orchestra in Vaughan Williams' London Symphony and Elgar's Cello Concerto with Gary Hoffman. Fri and Sat: NSO Pops with Dizzy Gillespie (418 4600). Opera House 20.00 Arnold Osmann conducts Washington Opera production of Don Giovanni with Jeffrey Wells in the title role, also Sat. Due to a pay dispute with the orchestra, this season's performances have so far taken place with piano accompaniment (416 7800).

Eisenhower Theater 19.30 Two Trains Running: new August Wilson play set in a Pittsburgh cafe in 1958, opening a window into African American life. Directed by Lloyd Richards. Runs till Dec 7 (416 4800). Terrace Theater 19.30 An evening with virtuoso percussionist Evelyn Glennie (416 4800).

Blues Alley Jazz Supperclub This week's guest artist is Stanley Turrentine on saxophone (tomorrow till Sun), followed next week by Junior Walker and the All-Stars (Blues/R&B). Wynton Marsalis (Dec 10-15) and the Phil Woods Quintet (Dec 19-22). 1073 Wisconsin Ave (337 2338). Arena Stage A Wonderful Life: revival of the 1946 Frank Capra film as a musical, in a lively and entertaining staging by Douglas Wager with music by Joe Raposo and Sheldon Harnick, starring Casey Biggs as George Bailey (488 3300)

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MONDAY TO FRIDAY Eurosport 06.00-06.30 International Business Report CNN 07.30-08.00 Moneyline 08.00-09.00 Business Morning 13.30-14.00 Business Day 20.00-20.30 World Business Today - a joint FT/CNN production

SATURDAY CNN 07.30-08.00 Moneyline 09.00-09.30 World Business This Week - a joint FT/CNN production 15.00-16.00 Moneyweek 19.00-19.30 World Business This Week 21.00-21.40 Your Money

SUNDAY Supersatellite 18.00-18.30 Business Weekly Sky News 18.30, 19.30, 20.30, 00.30, 02.30 FT Business Weekly CNN 07.10-07.40 Moneyweek 15.40-16.00 Inside Business 18.00-18.30 World Business This Week 19.40-20.00 Inside Business



## FINANCIAL TIMES

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Tuesday November 26 1991

## Rubbish in the shop window

INVESTORS and others in search of guidance on the drifting US economy are likely to skim today's OECD survey, mutter an oath, and throw it into a waste bin, which would be a pity. The summary of short-term prospects amounts to a bald statement that the US recovery started in the second quarter, is expected to accelerate in the current half year, and will lead to a 3.4 per cent real expansion in 1992. The survey also warns of a "risk" of a stronger recovery, which could reignite inflation. This assessment is so out of touch with the current reality of weakening consumer demand, renewed worries about excessive inventories, and talk of a second recessionary dip, that it is hard to know why it is published at all.

The US administration has now gone public on its falling expectations: in its latest interview, its chief economist, Mr Michael Boskin said: "We're certainly looking at more moderate growth than even the moderate growth we anticipated," and claimed only that "the precursors of growth fell into line." The OECD's forecasters no longer believe their own figures, but have failed to update them.

This presumably reflects the political editing process, under which forecasts first made in the summer are submitted to the administration, revised accordingly, and published many weeks later, to court ridicule.

**Valuable analysis**

This can only cast doubt on the valuable analytic work which forms the bulk of this survey - like others. The secretariat would do much better to restrict its forecasting activities to the frank, confidential reports it provides for official meetings, and its central purpose of ensuring that member governments are looking at compatible visions of the future.

And now for the good bits. The biggest real problem facing the US (like the UK) is excessive debt in all sectors of the economy; but this is also its biggest imagined problem. Reports of a credit crunch, with the banks too demoralised to finance a recovery even if it were established, and alarming

figures on the growth of the national debt, tend to turn legitimate worry into panic. Here the OECD is realistically reassuring.

It shows first that there is little evidence of a credit crunch, but simply of disintermediation on a scale without recent precedent. Corporations still borrow, but in the paper market. Banks still make advances for house purchase (recovering further this month) and on credit card accounts, but securities claims and sell them. The growth of non-Federal debt is, in fact, a little stronger than usual, given the state of demand.

## Fiscal discipline

But if markets are worried about too little private borrowing, they find government borrowing excessive. Wrong again. The survey shows that fiscal discipline is, in fact, much tighter as a result of the budget act agreed with such difficulty at the end of 1990. The loopholes in the Gramm-Rudman-Hollings legislation, which did more for creative book-keeping than for official thrift, have been closed. The total deficit is inflated by the honouring of past guarantees by way of deposit insurance, credit guarantees, and official props for some forms of private pensions and insurance. These, however, are pure book-keeping transactions, with no effect on demand and no necessary effect on inflation. The underlying fiscal policy, as the survey shows, remains deflationary - one factor in the disappointing recovery.

The broad conclusion is that the US is engaged in a responsibly managed debt workout, while the recovery of output is underwritten by a highly competitive cost structure. US unit costs are now nearly 30 per cent lower than the average in the main European economies and Japan; as recently as 1985 they were nearly 14 per cent higher. It is no surprise that the US current account deficit has been cut by two thirds since 1985, and the OECD projection of slow further progress may be too cautious, given the opportunities of North American free trade. Read the analysis carefully, but skip the forecasts.

## Trade unions: a new agenda

WITH Britain's industrial relations professionals distracted by the shaping of the EC's social action programme, the deadline for consultation over the government's green paper on trade union reform passed virtually unnoticed.

Deservedly so. While there are sensible suggestions in the document - including seven days notice of strikes, postal ballots, and increased financial accountability of unions to their members - it is inspired by a 1980s agenda which has already achieved most of its goals. If British managers still feel unable to manage, they cannot blame trade unions. And union leaders, too many of whom used to ignore their members, have been forced to listen.

The main employers' and managers' organisations have expressed a number of reservations about the green paper. It is true, as Mr Michael Howard, the employment secretary, said yesterday, that these bodies were not always quick to see the value of earlier reforms. It is also true that most of the organisations have supported the majority of green paper proposals and continue their support for "step-by-step" reform. But it is hard to find employers who share Mr Howard's unqualified enthusiasm for his reforms.

**Unhelpful presumption**

One point on which the main employers' bodies agree strongly is that introducing a presumption that all collective agreements should be legally binding would be unhelpful. Existing legislation allows the parties to an agreement to make it legally binding, but few do so. The Confederation of British Industry and the Engineering Employers' Federation actually suggest that employers should continue to be able to break collective agreements while unions should lose their immunity when they do the same.

That would be difficult to sell on fairness grounds and Mr Howard has rightly said he is not interested. However, the whole question of how much further, and in what direction, the law should interfere in industrial relations must remain open.

As the green paper points

out, legal enforceability of collective agreements is common to all EC countries. But in several of those countries, including the economic pace-setter, Germany, it is one part of a more codified structure of rights and restraints at work associated with a consensual system of industrial relations.

## Absent question

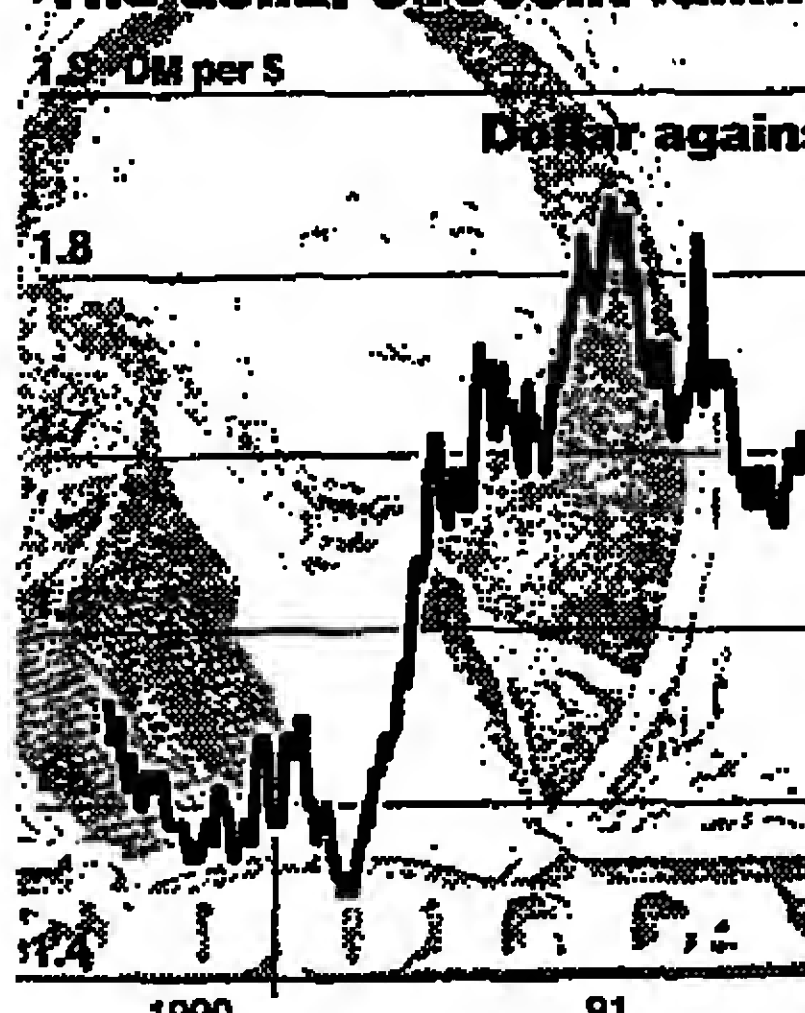
The question which is notable by its absence from the green paper is whether this type of framework offers a way to achieve the goals of the 1980s agenda, as it appeared, fruitlessly, to do in the 1960s and early 1970s. The fact that the Labour party, the unions and the European Commission answer "yes" is not itself a reason for Mr Michael Howard to answer "no". It is just possible that a government led by Mr John Major, keen to prove its Christian Democratic leanings, might see such a framework as a means of codifying rights for the individual at work consistent with the strain of thinking which has devised the citizen's charter.

It is also increasingly evident in the pre-Maastricht debate that although Britain will continue to achieve some promise in EC-wide rules governing standards at work, it will not successfully challenge the principle of some Brussels involvement, and precise, engagement with the social agenda could be a fruitful part of Mr Major's negotiating position "at the heart of Europe".

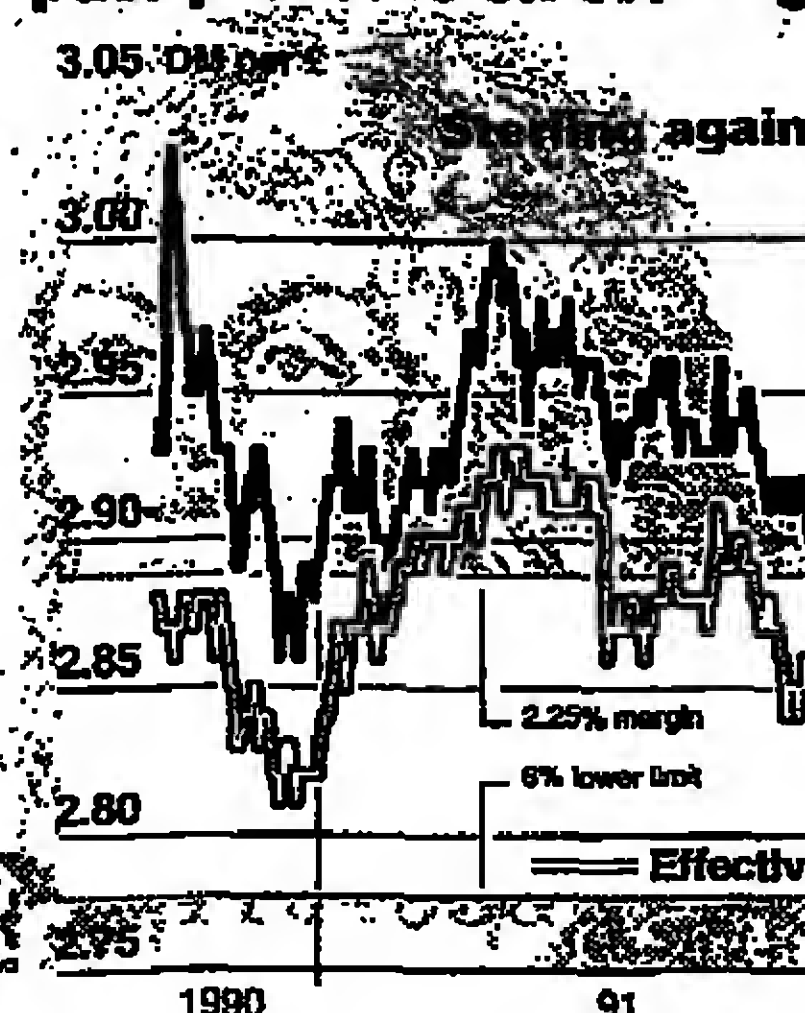
Debate is still needed about which parts of an agenda covering minimum protection at work, rights to information and participation, training, and equality, need legal underpinning, and how much can be left to employers or collective bargaining. That the CBI seems unable to decide whether or not even to participate in consultations at the Brussels level is an indication of how far on the sidelines Britain now stands.

At present the European Commission may be offering more irritation than inspiration for British industrial relations. But for the UK to turn its back on European ways is not a long-term option in this or any other area of economic policy.

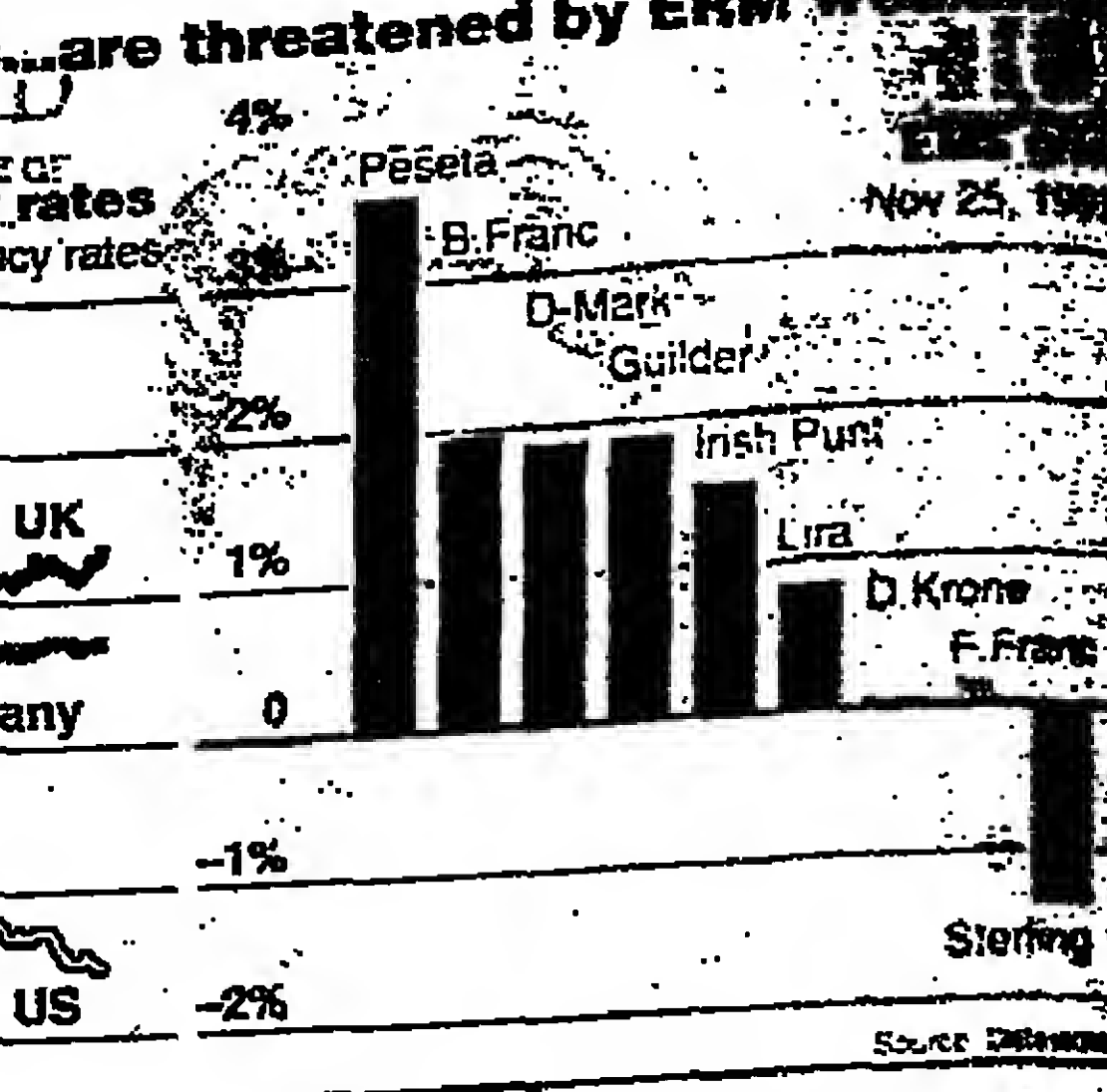
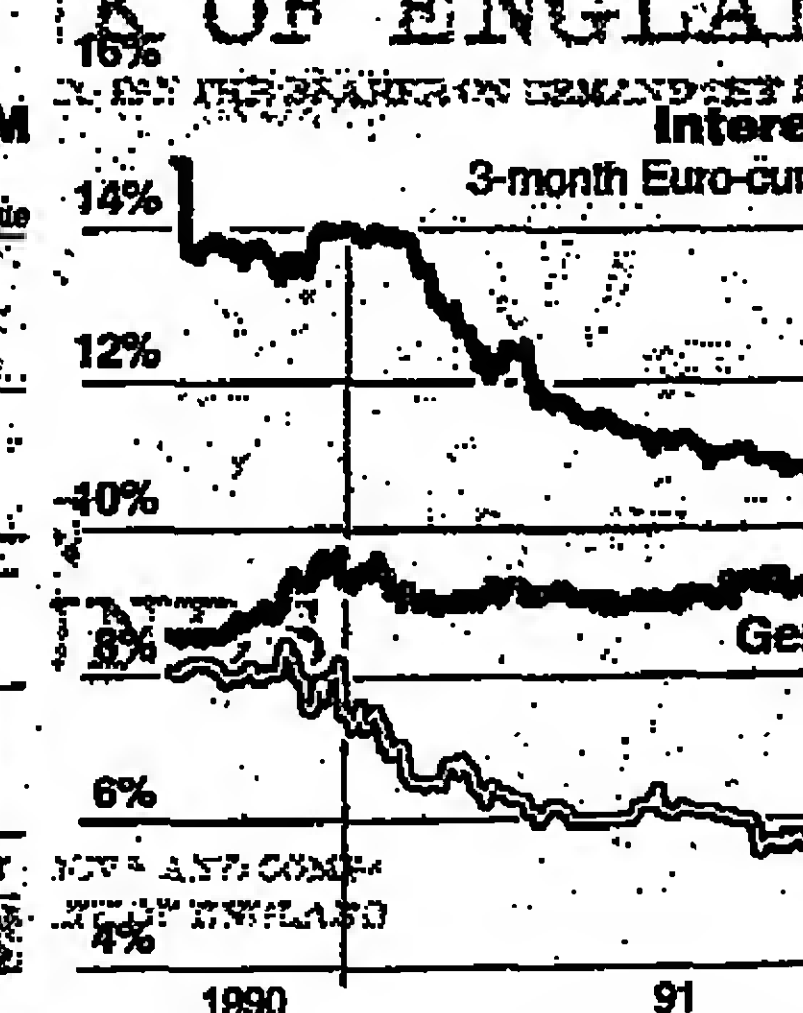
## The dollar's recent fall... puts pressure on sterling...



## where lower interest rates... are threatened by ERM weakness



## A UP OF ENGLAND



The air in the world's foreign exchange markets is thick with chickens coming home to roost.

In Britain over the past week, attention has been focused on the sudden fall in the pound's value against the DM, which triggered a first chapter in the fears of sterling crisis. But the attack of foreign exchange market jitters has been far more widespread, to the extent that the pound's problems - although potentially serious - can almost count as a side-show.

The currency markets, with their thousands of actors moving vast sums of money around the globe in seconds - are perhaps the purest expression of market capitalism in the world today. They can, like the rest of us, be guided by illusions. But when the illusions lose their power to impress, the markets are swift and unhesitating in finding victims and setting new goals.

This is what has been happening over the past month. Growing doubts about the US economic recovery, uncertainties ahead of next month's Maastricht meeting of European Community leaders on economic and political union, and a devaluation in Finland have combined to upset the illusion that exchange rates in Europe were virtually fixed. The unsettled mood of the markets has not been helped by the sight of US policy makers threatening to use the ways to kick-start their economy, and domestic political tensions in several European states.

To some extent the present gyrations of the currency markets mark the end of a phoney war, in which the European Monetary System seemed largely unaffected by the dollar's movements.

The dollar has been on a roller-coaster against the DM and other European currencies all year. It fell to an all-time low of DM1.44 in mid-February, before staging a sharp 18 per cent rise in the seven weeks to Easter.

It then moved erratically upwards until July 2 when it hit its high for the year of DM1.836 before moving downwards recently to DM1.630 at the London close yesterday.

Until late summer, the German mark - which acts as the anchor of the EMS exchange rate mechanism - was depressed by the high costs of German reunification. The impressive US performance in the Gulf war and expectations of a strong economic recovery after the war gave the dollar an added boost.

The period of relative DM-Mark weakness encouraged investors to place their money in high-yielding European currencies such as the Spanish peseta and Italian lira and allowed the UK authorities to cut bank base rates from 14 per cent in February to their current 10.5 per cent level.

More recently, disenchantment with Germany has been outweighed by disillusion with falling US interest rates and bleak US economic prospects, causing funds to flow out of the dollar.

Earlier this year, such a trend might have benefited a wide range of

Peter Norman assesses the attack of the jitters in foreign exchange markets

## Stability can be just an illusion

European currencies. But the flow in recent weeks has been primarily into the D-Mark - a movement that has accelerated as a result of events surrounding the Finnish market earlier this month.

During the summer, the Finnish government fixed the markka against the European currency unit in a move to integrate its economy more with the EC. But the failure of the Soviet coup in August and the subsequent collapse of a large part of Finnish foreign trade then forced Helsinki to devalue the currency by 12.3 per cent.

The attraction of European currencies yielding more than the D-Mark swiftly diminished. "We suddenly realised that if Finland is forced to move, why not Sweden, Norway, the

UK, Spain, Portugal, Italy and possibly France?" says Mr Jim O'Neill, head of financial markets research at Swiss Bank Corporation.

The Finnish decision has therefore channelled funds into the D-Mark at an ever-increasing rate - reviving old tensions in the exchange rate mechanism.

While attention in the UK has been focused on the pound, which is allowed to fluctuate up to 6 per cent either side of its ERM central rate, the French franc, the Danish krone and the Italian lira have lost ground to the D-Mark in the ERM's narrow band.

The clearest symptom of these problems was the Bank of France's decision at the beginning of last week to raise its key intervention rate by half a percentage point in a bid to ease downwards pressure on the franc. By the end of last week, both the French and Danish currencies had fallen more along their permitted range of divergence from their ERM central rates than had sterling. It is also thought that continental central banks have been intervening more to support their currencies against the D-Mark in the ERM than has the

Bank of England in recent days. The approach of the Maastricht meeting on December 9-10 has highlighted the key role in the pre-summit manoeuvring being played by Mr Helmut Kohl, the German chancellor - a reminder that Germany, for all its problems since reunification, remains the most potent economy in the EC. It has also underlined the economic problems of some ERM member states. The strains placed on economic convergence in the draft treaty on EMU, for example, has raised questions as to whether Italy, with its huge state deficit and above-average inflation, can realistically hope to join the union in the 1990s.

Indeed, the failure of many EC member states to meet the convergence criteria stipulated for EMU has contributed to speculation on a realignment of EC currencies around the time of Maastricht. Although such a reshuffle is generally regarded as a remote possibility, not least because economic and monetary union will still be many years in the future, it is the outcome of the European leaders' meeting, such talk is helping to buoy the D-Mark.

Once growing political strains in many EC member states are added to the evidence of economic divergence, the attraction of the D-Mark as a haven for footloose capital becomes even more apparent. Mr John Major, the British prime minister, is not alone in facing opposition within his own party. Tensions also exist on economic policy between the French prime minister Mrs Edith Cresson and Mr Pierre Berégovoy, France's long-serving finance minister.

The foreign exchange markets lost some of their frenzy yesterday as the Bundesbank stepped in to buy sterling and the dollar was calmer ahead of this week's Thanksgiving holiday. But recent events have shown that Europe is far from ready for fixed exchange rates.

month, recent data points to underlying inflation of 3.3.5 per cent. Finally, to the extent that the US has an exchange rate policy, recent movements of the dollar do not seem threatening. Mr Fred Bergsten, director of the Institute for International Economics, a Washington think tank, believes the US and other Group of Seven countries want to keep the dollar within broad bands: roughly DM1.45-DM1.55 and ¥145-¥160. The dollar is still above the lower limits of these bands (although close to the yen floor), indicating no conflict between domestic and international obligations.

The dollar, however, plays a little role in the domestic political debate that it is hard to imagine circumstances in which exchange rate considerations would dictate economic policy. It is inconceivable that the US would try to "defend" the dollar by raising interest rates. Nobody will castigate Mr Bush for allowing a falling dollar to improve US export competitiveness. But there will be hell to pay if he cannot revive the economy.

## Minor role in Washington

The US will not defend the dollar, writes Michael Prowse

cutting them - while central banks abroad were still loosening policy to combat recessionary forces.

A sharp revision of expectations about the dollar's depreciation of about 8 per cent in trade-weighted terms since July. Instead of gaining momentum, the US recovery appeared to flounder during the third quarter: growth of employment and incomes was too weak to sustain temporarily higher consumer spending. Fanned by the White House, the Fed once again began to ease policy aggressively. Since early September the discount rate has fallen a full percentage point to 4.5 per cent - a move unexpected during the summer.

Analysts now find it hard to judge when US interest rates will hit bottom. Industrial production, employment and retail sales were flat last month. Falling consumer confidence and a jump in claims for unemployment insurance have raised fears of a "double-dip" recession. Even if this is avoided, the outlook is for a stagnant economy. In a weekend interview, Mr David Mullins, the Fed deputy chairman, conceded there might be no growth between now and the spring.

The White House is acutely worried that the year economy could jeopardise Mr Bush's re-election prospects. But a prospective federal deficit of \$350bn and a bipartisan agreement not to loosen fiscal policy constrains its ability to revive the economy through tax cuts. The administration is likely to unveil some kind of fiscal

"growth package" in January, but it is painfully aware that budget changes can take many months to negotiate and implement. The president seems certain to press for further interest rate cuts.

The Fed is unlikely to put up much resistance. During the past six months M2, the main measure of broad money, has grown at an annual rate of only 1 per cent - far below the mid-point of its 2.5-6.5 per cent target range. Growth began to pick up a little last month but the Fed will face criticism if it does not achieve much faster monetary growth in 1992. At the same time, the Fed is confident that inflationary pressures are abating: with the exception of a bizarre jump in wholesale prices last

charged or not. It sounds a jolly good wheeze, and since the whole thing grew out of a letter to the Financial Times last summer, Observer is inclined to view it indulgently. However, I have to report that Lombard Street seems undaunted by the thought of having to cross swords with the BBC.

"I wonder how many of its staff are people we have given early retirement to," one bank unkindly mused.

## Greenmail

Whitehall does not seem to be taking much notice of the prime minister's pledge to put green issues at the centre of government, according to the experts from the jolly Green Alliance.

They accuse government departments of failing to implement fuel-saving, recycling, waste-cutting and pollution control measures spelled out in the 1990 Environment White Paper. Michael Heseltine's Environment Department, which is alleged to have missed almost 50 per cent of its promises, is singled out for special condemnation.

All good knock-about stuff, but it does raise the delicate question of whether Tom Burke, Heseltine's special adviser on the environment, is earning his keep. After all, he is working on secondment from his normal job as director of the Green Alliance.

## Quick response

A man arrives at the Pearly Gates and gets rather upset when St Peter refuses to admit him. Having second thoughts, St Peter asks him for an example of one good turn that he has done in his life.

"Well, I saw a gang of thugs attacking an old lady, so I went up to them and kicked one of them on the shins." St Peter is impressed, and asks him when this noble act took place.

"About 40 seconds ago," was the reply.

## OBSERVER

## Done for speeding

Wtense times in the world golf ball industry. The Royal & Ancient Golf Club, one of the few British institutions with any international clout left, has done the unthinkable and just shot down the world's latest flying golf ball. Worse still, it was Japanese.

George Wilson, of the R & A's Implements and Ball Committee, says he had no choice but to ground Sumitomo's Rubber's Maxfli 424 and DDH Special models after they failed one of the club's random tests.

The R & A's conforming list states that the initial velocity of any golf ball must not exceed 230 feet per second, or around 170 mph. Wilson is not saying how fast the Japanese balls were going, but they were clearly exceeding the limit.

In the past the Spalding Top-Flight has had to be flagged down by the R & A, but this is believed to be the first time that a Japanese ball has been caught.

Sumitomo Rubber, which controls over two thirds of the Japanese market, has had to halt production at a cost of \$3m a year.

Wilson says that the Japanese have acted perfectly honourably and he doesn't understand what all the fuss is about. However, if the Japanese are able to produce a ball that will travel further and faster than the competition, then they might have stumbled on the golfer's equivalent of the Holy Grail.

Only the rule-makers at the R&A stand in their way.

## European Community summit at Maastricht

Jenkins, the Liberal Democrat leader in the Lords and a former EC president, normally loves nothing better than to debate his beloved ideas about Europe. Indeed, he had originally indicated that he intended to speak. But in the event, he left it to Lord Thomson of Monifieth, another former EC commissioner, to air his party's views.

By remaining silent, Jenkins added to speculation that he does not agree with Paddy Ashdown, his party leader, that there should be a referendum on Britain's future in the EC.

## Reign supreme

Last year, Lady Harlech described arts consultants as corporate rockers. This year, Conrad Black and Glenda Jackson indulged in an unscripted spat. The award ceremony organised by the Association for Business Sponsorship of the Arts, paid for by Black's Daily Telegraph and introduced by Jackson, lived up to its reputation for high drama.

Black reminisced off-his-cuff about seeing Glenda's performance in *Clint Eastwood* in Canada, and reflected on the great dramatic interpretations of Queen Elizabeth, including those by Jackson, Bette Davis, and Vanessa Redgrave. He mused, by the way, that he had suggested she might like to cover the Labour Party Conference on the *Telegraph*.

Jackson, who had previously drawn attention to the small gap between patronage and patronisation, retorted that no journalistic invitation had arrived. Last year's host - Stephen Fry - Black countered, had been patronised enough to accept the offer of a regular column in the paper, a display of patronage which



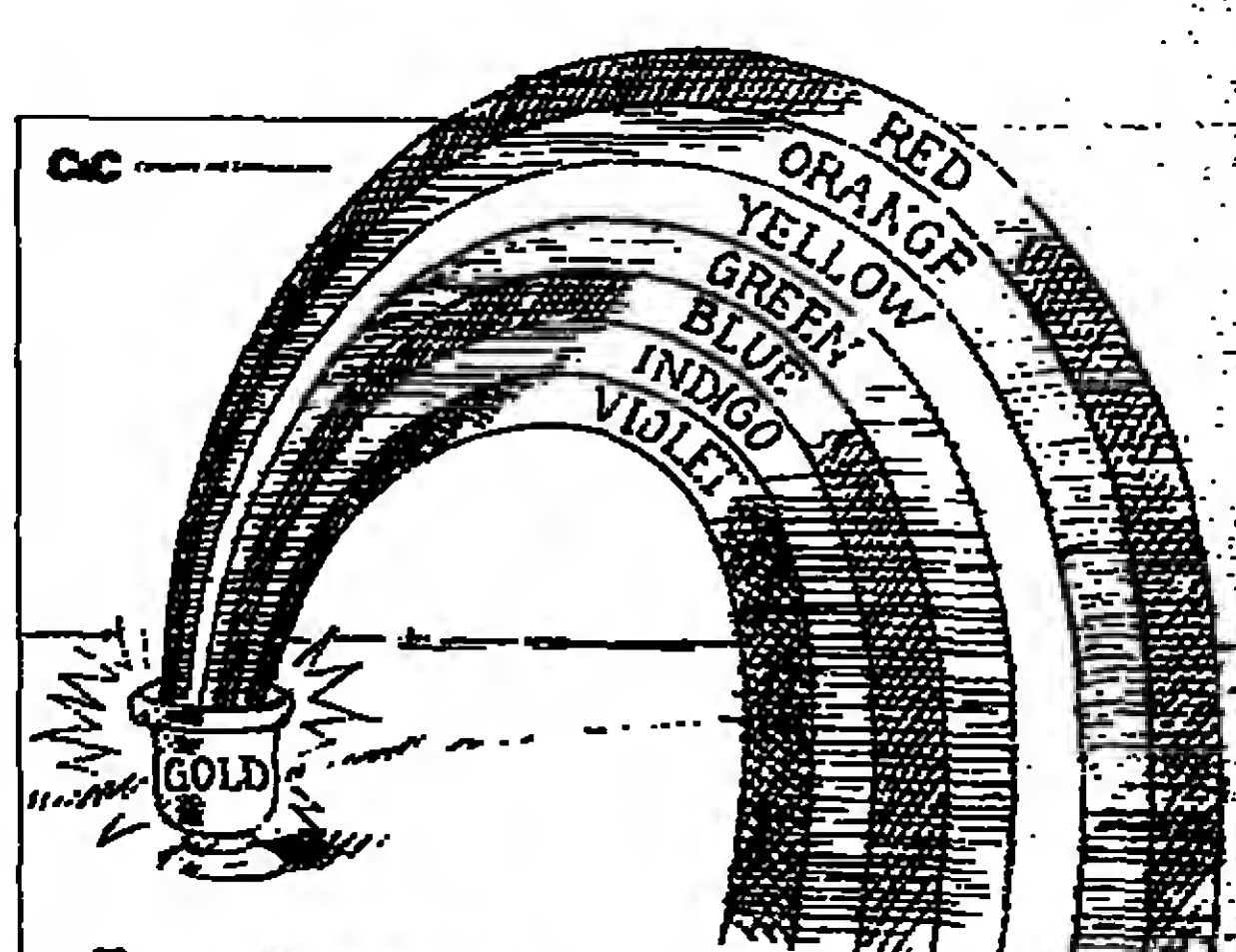
## Small business

Sir Robin Chichester-Clark, former Ulster MP and Glyndebourne pr man, has resurfaced in a new role as the small businessman's friend. For a modest £500 a day, his Banking Liaison Group will advise companies on whether their banks are overcharging them.

On the principle that poachers make the best gamekeepers, Sir Robin has retained former clearing bank staff across the country to act as consultants to businessmen on their relationship with their bank manager. This means poring over their bank statements and helping them decide whether they are being over-

charged or not. It sounds a jolly good wheeze, and since the whole thing grew out of a letter to the Financial Times last summer, Observer is inclined to view it indulgently. However, I have to report that Lombard Street seems undaunted by the thought of having to cross swords with the BBC.

"I wonder how many of its staff are people we have given early retirement to," one bank unkindly mused.



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# Builder of bridges to Europe's future

FT writers interview the Dutch prime minister and current EC president, Ruud Lubbers

Mr Ruud Lubbers comes, literally, from a family of bridge builders. But in all his years as a builder of coalitions in domestic politics, the Dutch prime minister has not faced a trickier task of political engineering than the one he must complete between now and the EC summit in Maastricht in 13 days.

Unlike his fellow-Christian Democrat, Germany's Chancellor Helmut Kohl, Mr Lubbers does not consider failure at Maastricht would be a catastrophe. "I have never used this word... but I think it is important to reach an agreement. The political will to produce results at Maastricht is the same for the two of us."

Ensnared in his prime ministerial tower in the centre of the Hague, Mr Lubbers, until the end of this year the EC's president, is almost at the end of a whistle-stop tour of member state capitals. Last week Madrid, London and Bonn; this week Paris, Rome and Brussels, where he will meet his Portuguese counterpart.

Jeuneur, he is a master of tactical logic and the

soothing, understated phrase. Both are deployed in the interests of a European vision he characterises as "a Europe bottom-up, where political decisions are taken as near to the public as possible". In European, he is thus a "subsidarity" man; essentially, a politician of the centre.

For the immediate future, however, he must focus on detail, not vision. Reflecting on a four-and-a-half-hour conversation with Mr John Major, the British prime minister, on Friday, he says differences between member states "are often a question of perception rather than substance". He finds it possible to discern common ground between the British reluctance to cede undue political power to Brussels and the Franco-German yearning for a more substantial political unity. Further negotiation on the question of whether the new political union treaty should declare a "federal goal" will have to await the Maastricht talks, he says. "I respect subsidiarity," he says. "As you know, for the

Germans, the word for this is federalism." The impression is clear, though, that Mr Lubbers will not be among those fighting to the death for the word at the summit.

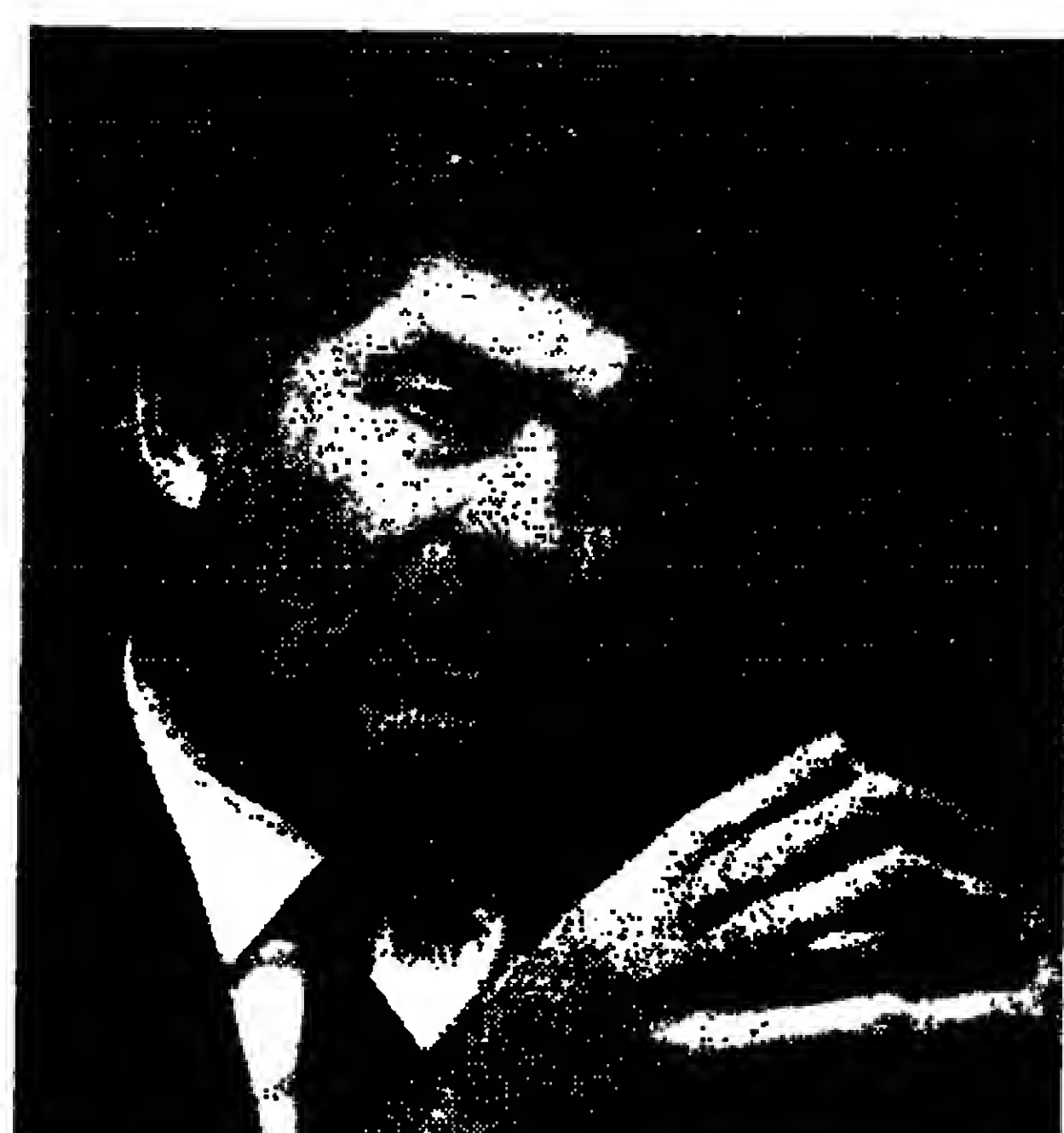
With Britain, he identifies three main sticking points: aspects of social policy, defence and foreign policy and the extra powers proposed for the European Parliament. On the last two subjects, he suggests agreement is primarily a question of finding the right treaty language. "We have to compromise on phrasing," he says.

In social policy, which many summiteers regard as the single most difficult area given Britain's opposition to extending majority voting, he suggests the way forward may be to make more precise the Community's social remit. This, Britain complains, has been shamelessly extended from a narrow legal base in the Treaty of Rome - a form of licence replicated in the most recent draft of the treaty which is based on wide-ranging concepts such as the improvement of "working conditions".

"What we could do in the new treaty is to be more specific, listing not only items for majority voting but also a clear list of areas for unanimous votes." He also proposes that new social measures should be required to pass a subsidiarity test and should not destroy jobs.

Not on the agenda, he says, is any opt-out for Britain from the social clauses of the treaty. Mr Major, he suggests, is less isolated even on social policy than sometimes appears to be the case. In most capitals, he says, "people are taking a stand against too much bureaucracy, which can damage economic growth and pose a risk to employment. Sometimes it would be useful if the British could read what the Spanish are saying. There is not really a difference."

He is also keen not to isolate the Commission president, Mr Jacques Delors, who last week told Euro MPs that UK-inspired amendments to the treaty risked crippling the drive to political integration. He shares Mr Delors' worries that the proposed mix of Com-



Mr Lubbers does not consider failure at Maastricht would be a catastrophe: "I have never used this word," he says

munity-level and inter-governmental decision-making bodies represents a retreat from the ideal, but is not, Mr Lubbers insists, a defeat. "Political union is a process: we can define the things we agree about in that process today, but we should not define the things that are not on the table. We are already being very ambitious in our monetary union."

Five years ago, he says, it was unthinkable that a British prime minister would agree to an embryonic European police organisation, albeit under inter-governmental rather than Community control. "Maybe five years from now, some European council will say we must go further and bring inter-governmental structures into the Community. I simply don't know. I don't want to say that this is a necessity, but I would avoid also the interpretation that these sorts of things, like Europol, must always be inter-governmental."

On the central issue of monetary union, the ideal is clearer, but still, he says, "very complicated". Essentially, the Dutch approach has been to find a way of framing a monetary treaty to permit a two-speed or even multi-speed progress to a single currency. Mr Lubbers now thinks this may be accomplished by building into the treaty a commitment signed by all to the "political mission" of monetary union by 1997, but with an implicit assumption that any state may fail to make the date, for either political or economic reasons. Critics of what is still in effect a general ability to opt out fear that it renders the treaty meaningless by raising the possibility that even Germany might not take part. Most such critics would prefer an opt-out confined to and tailored for the UK.

Mr Lubbers thinks his new formula "could be acceptable to Bonn and Paris". All countries would be required to state: "I am in favour of monetary union, even if my country for economic or political reasons decides not to take part." A time table, along the lines of the 1992 single market,

is, he argues, indispensable. "To the UK I'm saying: reserving your position is one thing; but at least you should endorse the political mission of the Community."

He is, he says, "very confident" that by the end of the decade, Europe will have a single currency; those who don't join at first will be driven in by popular pressure. "The system will be so attractive that business and citizens will start to become irritated because they do not share the advantages." He is not daunted by opposition to these ideas, even when expressed as trenchantly as by Mr Major's predecessor. "I had many years of discussion with Margaret Thatcher about the loss of flexibility of monetary policies that the EMS would bring... I told her that this is like a car driver saying he doesn't wish to wear seat belts because it hampers flexibility in driving."

Mr Lubbers was once considered Mrs Thatcher's closest ally in the Community and he still speaks warmly of her like-minded devotion to a bottom-up approach to distributing power among Community institutions. He expresses, however, discreet sympathy for Mr Major's problems with his "back seat driver". More important, he challenges the former prime minister's central anti-Brussels thesis. "The idea that Europe means socialism and more bureaucracy is simply not the case."

Mr Lubbers' other biggest problem customer at Maastricht is likely to be Mr Felipe Gonzalez. The Spanish prime minister is demanding a political treaty which enshrines the cohesion principle that richer countries should pay proportionately more into the EC budget and poorer countries should receive a larger share of resources.

"The word social for the UK is the word cohesion for Spain," says Mr Lubbers. For the moment, he is sticking to the presidency line that budgetary questions are a matter for the year following Maastricht: "You cannot write all this in your treaty."

For Mr Lubbers, the Maastricht deadline also has a personal dimension. He is widely known to covet Mr Delors' job at the Commission. As he packs his bags for yet another leg in his pre-Maastricht shuttling diplomacy, he sighs: "It's going up and down: you make every day but at the same time there is a timescale. We run the risk of running out of time."

Interview by Ian Hargreaves, David Marsh and Ronald Van de Krol

Joe Rogaly

## Wiring-up Europe



It is wonderful to sit behind a desk and make things up. I have, as you will appreciate, a deep understanding of the joys of this pastime. That is why I greet you with such fellow-feeling a treatise on "The Future of Europe" by Mr Michael Hardy.

Mr Hardy bears a title that must have taken many pen-hours to make up. He is director, general affairs, in the European Commission's directorate-general for telecommunications, information industries and innovation. His text is of a speech he made, in a private capacity, at a recent conference. The juicy bit is about the "organisation of the infrastructure of the 21st century on a pan-European basis". You will not be surprised to learn that "infrastructure" means the co-ordination of information and communications technologies, particularly in the manufacturing sector. Embryonic and piecemeal systems such as local and wide-area networks exist, we are told; the task is to stick them together.

Whether in terms of the number of major actors, the technical expertise required, the capital expenditure, the involvement of administrations, a stupendous effort is involved," says the director, general affairs. This task is "more complex than constructing the 19th-century railways," the need for which led to the establishment of the Zollverein, a predecessor of the European Community.

Hold hard. Do not jump to the immediate, unworthy, conclusion that this is just another European bureaucratic dreaming of expanding an empire already controlled by Brussels. Consider first the evidence. The new arrangements will not be made, says Mr Hardy "through edict or by a command economy, but through a complex process of consensus formation, operating at a range of levels". Keep steady. Hear one more sentence of his speech:

"The general political objectives will be set - the Maastricht text contains indeed an article on trans-European networks, intended to meet transport, telecommunica-

tions and telematics, energy and education needs - not as matters of black letter law or out of centralist or federalist ambitions - but out of a realisation that social goods - here, the establishment of a competitive European industry for the well-being of European citizens - cannot be achieved by other means."

Now you can draw the obvious conclusion. The European Commission wants to run information technology and communications. People behind desks in Brussels cannot help constructing schemes that give them more work to do. It is in their nature to create a demand for more people to sit at more desks all around them. They sincerely believe that the intellectual constructs adumbrated in their drafts and debated in "endless committees" will benefit mankind.

The EC whinge is that the Japanese are winning orders. Hard cheese

They are back to the same old process of picking winners. This is not always realised by the official in question. "Notions of a command economy or dirigisme can be dismissed," says Mr Hardy, "because we know that they do not work - we have Mr Gorbachev's word for it, and the DDR experience. A Europe of 400m or more cannot function on that basis."

In that case, why make the attempt? Given the present gang of 12 monopolies running the post and telecommunications of the 12 EC states, any "consensus" (for which read conspiracy) reached under the guiding hand of the directorate-general for you know what will inevitably be a ramp, injurious to consumers and stifling of innovation. Yes, BT is not quite a monopoly, but it certainly is for the purpose of the present argument.

To his credit, of which he does not have very much, Mr Peter Lilley, Britain's industry minister, actively promotes increased competition in telecommunications. He did so again in a speech yesterday. "The government," he

said, perhaps tongue-in-cheek, "very much welcomes proposals to liberalise telecommunications across the EC". We must wonder whether Mr Gordon Brown, the Labour shadow of Mr Lilley, understands the point being made.

Let me spell it out. Standardisation does help to create larger markets, but always at the risk of strangling new ideas. There is a need for regulation of monopoly public utilities, and for continuing regulation to set environmental, safety and other standards. On this Mr Lilley and liberals like him are too purist. But there is no gainsaying the general point that when it comes to technical innovation, even in the building of "infrastructure", companies are usually best left alone.

For example, it is the market that should decide television standards, not an EC-inspired promotion of high-definition TV. If that means that the Japanese or the Americans dominate world production of receivers, so be it. If officials had been in charge we would still be watching 405-line black-and-white pictures.

The market has brought about its own standardisation of computer hardware, which is now mostly operating at the level of commodity trading. The EC whinge is that the Japanese are winning the orders. Hard cheese. Now the competition is all in software, in which the optimal policy is to let a thousand program-blooms bloom. That means that Microsoft, an American company, has a leading position in Europe. Tough.

Minile, the French government's force-fed screen-by-a-telephone, is widely regarded as a success, but what were the opportunity costs for the private sector? We shall never know. When Britain's Mr Kenneth Baker was in charge of these things he would get a glint in his eye as he talked of connecting every home to a fibre-optic cable. I am sure he never meant that the government would undertake the task. That would have been the Tories' groundnuts scheme, a Concorde squared. If the Brussels directorate-general of telecommunications and everything-else-based-on-chips fulfils its dreams, Europe will have more of those.

## LETTERS

### Bailiffs are key to prompt debt payments

From Ms Diane Wood.

Sir, Both Mr William Brandon (Letters, October 29) and Lord Alexander ("NatWest joins the call for law to tackle debts", November 6) refer to strengthening legislation to "encourage" prompt payment of debts owed to businesses.

It is difficult to imagine a stronger remedy than a statutory demand, unless legislation were to be passed to make directors personally liable for unpaid company debts, or to impose on them something like the penalties already existing under insolvency legislation.

The financial limit for service of a statutory demand could be reduced, but this would cause problems of credibility. In my experience, many businesses (especially the smaller ones) can still do a lot to improve their credit control at a much earlier stage than litigation: investigating the status of applicants for credit together with setting and (more importantly) enforcing limits on both the amount and time given for credit. Businesses too often do not do this because they are frightened of losing customers to the competition. Only a wholesale change in commercial attitudes will alter this, not legislation.

The legal powers are there, but improvements could be made, such as increasing the powers of the bailiff. What the courts need is sufficient funds to enable them, bailiffs and sheriffs to do their job quickly, effectively and efficiently. At present they are facing enormous pressures of work during the current recession, apparently with inadequate resources. They are unable to provide the service the business community needs to collect money owing to it. Once properly funded, the public, their customers, should be entitled to the service for which they have paid, with a complaints procedure should they be dissatisfied.

Diane Wood, *Banks Ashton, Solicitors, 81a Guildhall Street, Bury St Edmunds, Suffolk*

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### Follow the dollar or switch to another firm?

From Mr W Graeme Knox.

Sir, Whatever one's personal view concerning the strength of a UK economic recovery in 1992, it is entirely clear that the next move in monetary policy, appropriate to our domestic circumstances, should be to follow US interest rates and, if necessary, the dollar downwards. Isn't it, therefore, a pity that the first major test of European sovereignty arising from our membership of ERM should be contrary to the interests of UK citizens and their jobs?

Do we ever learn? Yesterday's problems emanated from Mr Nigel Lawson's misguided policy of shadowing the D-Mark in 1988; then, interest rates were too low. Today, the opposite is the case. How quickly we forget. Whatever shortcomings the early-to-mid-1980s may have had, we did at least glimpse the benefits to be derived from the efficient use of the price mechanism, good husbandry of public spending and the proper use of interest rates. Now it seems both political parties wish to eschew the first two and shirk responsibility for the latter to the EC. For as long as German monetary policy is out of line with UK needs, our economy will suffer.

### Level playing field of costs only fair way to assess nuclear energy

From Mr Peter Rost MP.

Sir, Juliet Sychnra (Survey of World Nuclear Industries, November 21) correctly states that "the strongest argument against nuclear is the cost". Nuclear Electric is making commendable progress in meeting this challenge, in order to fight back in time for the government's 1994 review. Reduced operating costs, improved productivity, and the prospect of Sizewell B coming in within time and cost, is reducing the uncompetitive gap. Fossil fuelled electricity costs between 2.5p-3.5p kWh; Nuclear Electric now claims its cost at 4.2p kWh and Sizewell's all-in costs are expected to be similar.

But are we comparing like with like? Since the opening of a competitive privatised electricity market, nuclear has had to be priced at its estimated full environmental cost, to include waste disposal, the fuel

cycle, and decommissioning. All so-called "externalities" have had to be internalised, partly by the government, partly by the industry. Fossil fuels, however, are not so penalised - yet. Nor will they be until we are able to calculate the full environmental cost of global emissions. When we know what has to be done, internationally, to reduce CO2 from fossil fuel burn and are able to cost it, how "uncompetitive" will nuclear be then?

Before the British nuclear industry is buried, perhaps we need to ensure its merits are assessed on a level playing field. The relative contributions to emissions between fossil fuel and nuclear should be included in the profit and loss account.

Peter Rost, *chairman, Major Energy Users Council, House of Commons, London SW1A 0AA*

### Questioning the yield ratio

From Messrs Ross Dunlop and Peter Warburton.

Sir, Lex (November 22) based a discussion of UK equity market evaluation around the observation that the gilt-equity yield ratio had again fallen beneath two. It seems a suitable time to question the significance of the yield ratio as a guide to anything important.

First, it compares the gross redemption yield on 25-year gilts with the running yield on equities instead of comparing the total returns to each. Second, the historical boundaries of the yield ratio have been subject to a host of distortions. Not only has the yield on gilts been restrained by convergence with German bond yields, but for the previous four years it was held down by the unusually favourable state of UK government finances.

The very asset sales that enabled the supply of new gilts to dry up for two years introduced huge new equity issues for utilities and telecommunications, raising the dividend yield for the whole market. As we enter a new era of large public sector deficits, it is tempting to conclude that the absolute value of the yield ratio is meaningless.

Ross Dunlop, *Peter Warburton, Robert Fleming Securities, 25 Caphall Avenue, London*

### Scapegoat

From Mr Michael Blakey.

Sir, Mr John Tomoney's letter (November 16) on regional government is based on a conception that must be refuted. Some sections of the Labour party seem to have given up all hope of ever forming a national government and settled for a series of governments in exile in the form of local authorities forever opposed to the Tory administration. For the near 40 years that it has had almost exclusive control of the north-east Labour has had an easy scapegoat for failure in London. If Mr Tomoney's separation were granted voters might begin to question whether some of the blame might lie locally. If the separation ran too deep the question would be raised too late.

Michael Blakey, *44 The Grove, Gosforth, Newcastle upon Tyne NE3 1NH*

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## NORTHERN IRELAND

SECTION IV

Tuesday November 26 1991

**A**S THE map of Europe changes, the "dreary steeples of Fermanagh" and Tyrone observed by Winston Churchill after the first world war stand impervious as ever against the deluge.

Northern Ireland's political quarrels and economic struggle are isolated from debate on Europe's future. Locally-elected politicians, the British and Irish governments alike, increasingly see the solution to its centuries-old divisions as coming from within the province itself.

The quest for internal harmony has taken some steps forward over the past year, and nearly as many back. The economy is weathering the recession better than mainland UK, imbuing a sense of independence. But it has yet to prove that regeneration can extend much beyond the Northern Ireland Office's apron strings - 27bn has been pencilled in for spending in the province in 1992-93. Unemployment continues to rise faster than ministers can unveil job-creating initiatives; there is a lack of debate on the opportunities of a single European market.

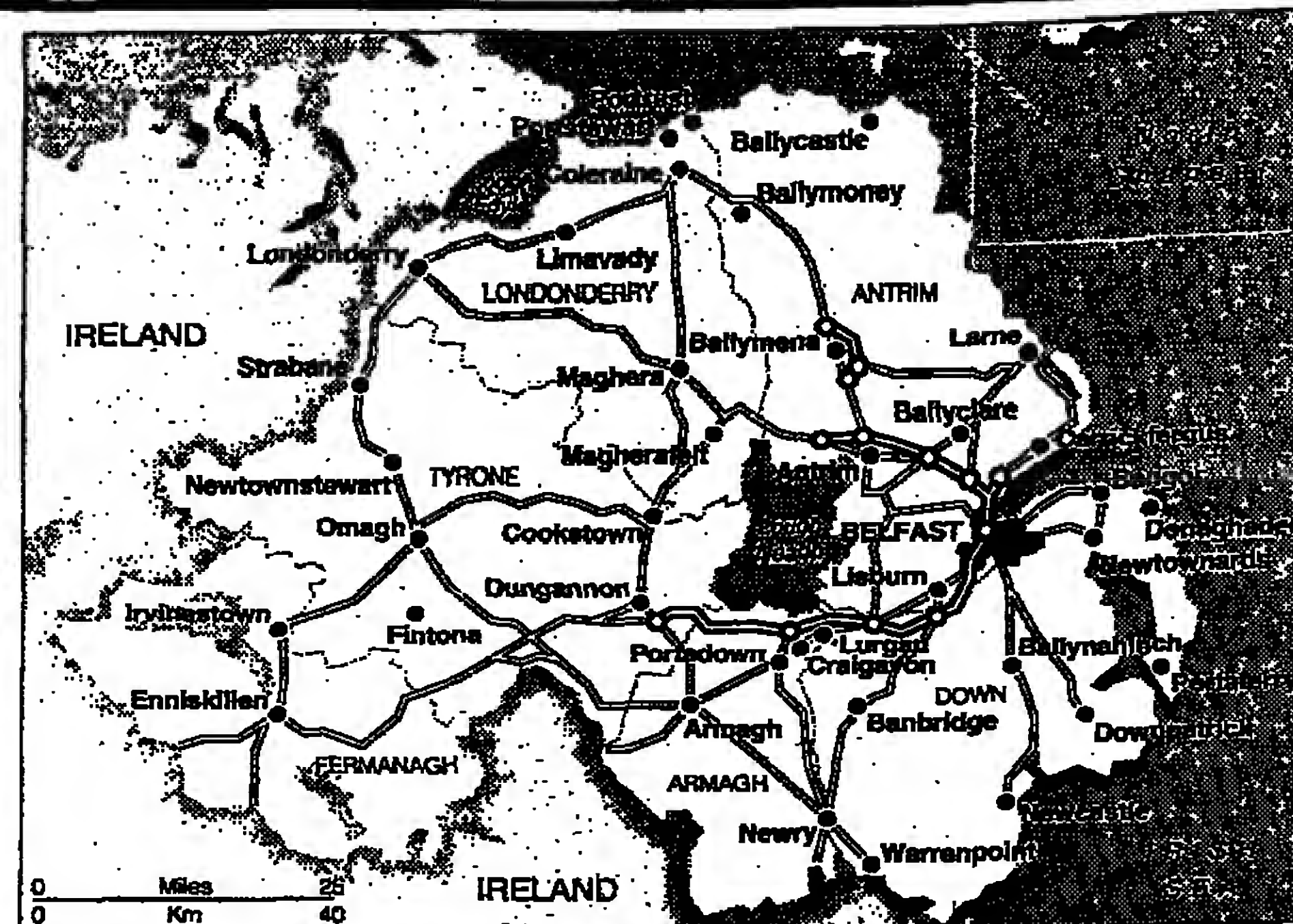
Nationalist and Unionist politicians were brought to the negotiating table to discuss the province's political future for the first time in 15 years. For eight precious days in June and July, Northern Ireland's veteran leaders - Mr James Molyneux and the Rev Ian Paisley, of the two Unionist parties, and Mr John Hume, of the nationalist Social Democratic and Labour Party - sat opposite and listened to each other.

It had taken Mr Peter Brooke, Northern Ireland secretary, 14 months to reconcile the apparently irreconcilable preconditions for talks. Seven out of the 11 weeks set aside for talks were wrecked by unforeseen disputes over procedures, venues and chairmen.

Unionist leaders, sensing that they have moved too far towards addressing Northern Ireland's problems in a nationalist framework, have insisted on a renegotiation of the ground rules before talks can restart. Their demands, and the increasing inter-party rivalry ahead of the general



Just another pretty city when violence lets it be: the built-up Belfast gives way to landmark rolling green hills



## Quest for harmony

The search for political reform by players in Belfast has taken steps forward and steps back but terrorism continues, writes Ralph Atkins. Recession is exacerbating difficulties in the region's economy

election, make a resumption unlikely in the near future.

Security has too often overshadowed politics. Civilian, army and police deaths in 1991 threaten to be as bad as the worst years of the 1980s. Internment, supported by some in the security forces and many in the Unionist camp, has risen on the political agenda - although Mr Brooke shows no sign of sanctioning its use.

Yet the government announced, with only token Unionist protest, the merger of the Royal Irish Rangers with the Ulster Defence Regiment - a move made as part of the defence cuts but coincidentally helping assuage nationalist worries over the Protestant bias of the UDR. Loyalist paramilitaries organised a ceasefire during the political talks; their re-emergence has, together with continuing IRA activity, put pressure on politicians not to block political progress. In more hopeful moments, government ministers detect an increased amateurishness by terrorists and mounting grassroots horror at their recklessness.

Mr Brooke's achievement in two years at the NIO has been to forge more of a broad, cross-

border consensus on how Northern Ireland's problems should be addressed. He says Britain has "no selfish strategic or economic interest" in the province. He argues - to at least some murmurs of assent in the Irish Republic - that Northern Ireland will remain part of the UK as long as the majority of its population so wish. His personal preference for maintaining the union is added afterwards.

Gone is the Conservative's ideological commitment to the union. It is pragmatic unionism - but not necessarily a stance that undermines the majority community's desire to remain part of the UK. The nationalist SDLP, though aspiring to a united Ireland, talks more of defining Northern Ireland's constitutional problem than of imposing a particular solution.

A central tenet of British and Irish policy remains the 1985 Anglo-Irish Agreement which, as its first article, states that a change in the status of Northern Ireland would only come about with the consent of a majority of its people. But - to the continuing anger of Unionists - it recognises that the south has a role in the affairs of the north.

It is a policy package Mr Brooke has found increasingly easy to sell abroad, particularly in the US where Irish Catholics have long objected to

any policy smacking of imperialism. The resignation of Margaret Thatcher - who was linked with Britain's hard-line stand against the 1981 republican hunger strikers and traditional Conservative unionism - has added to the impression of greater even-handedness, even if she was an architect of the 1985 agreement. Mr John Major has no known strong views on Northern Ireland.

Overseas support has helped promote investment. Ministers have resisted the spread across the US of the so-called MacBride principles, which oblige companies to discriminate positively in favour of Catholics and which, the Northern Ireland Office believes, deters investors. So far this year no

new MacBride legislation has been passed by US state legislatures and it has been rejected by 10.

Instead the 1989 Fair Employment Act requires companies in Northern Ireland to go to sometimes inordinate lengths not to discriminate, intentionally or otherwise, against Catholics or Protestants. This year, the Act has yielded the first accurate religious breakdown of the province's workforce.

The International Fund for Ireland, set up in the wake of the 1985 agreement to promote cross-community projects, has received donations totalling \$170m from the US since its creation, as well as substantial donations from the European Community and Canada.

The difficulty for Mr Brooke has been in sketching in the details of his vision for Northern Ireland. As the summer talks illustrated, agreement on devolved government in the province, and on mechanisms for linking north and south Ireland, and London and Dublin, is as elusive as ever.

Continuing "direct rule" from Westminster costs the British government support

when it is accused of abusing human rights or of suppressing free speech by banning broadcast comments from Sinn Féin, the IRA's political wing.

Unionists remain defensive and look less coherent. Mr Brooke's agenda is, at best, only reluctantly accepted. Within Mr Paisley's Democratic Unionist Party, there are a few who use the arguments as having moved on. Mr Nigel Dodds, DUP Lord Mayor of Belfast, says: "Dublin's role [in the province] is persuasive. It is not weakening. It is so strong that the government, rather than continue with talks in July, prefers to restart the Anglo-Irish conference process." But he does not accept what some might see as the next logical step - taking a more accommodating stance towards the aspirations of nationalist neighbours.

Within the Ulster Unionists, however, Mr James Molyneux, party leader - perhaps detecting that others might be looking to him for support in the event of hung parliament - believes his hand has been strengthened.

He told the UUP's annual conference last month that there had been an "obvious shift in attitudes in govern-

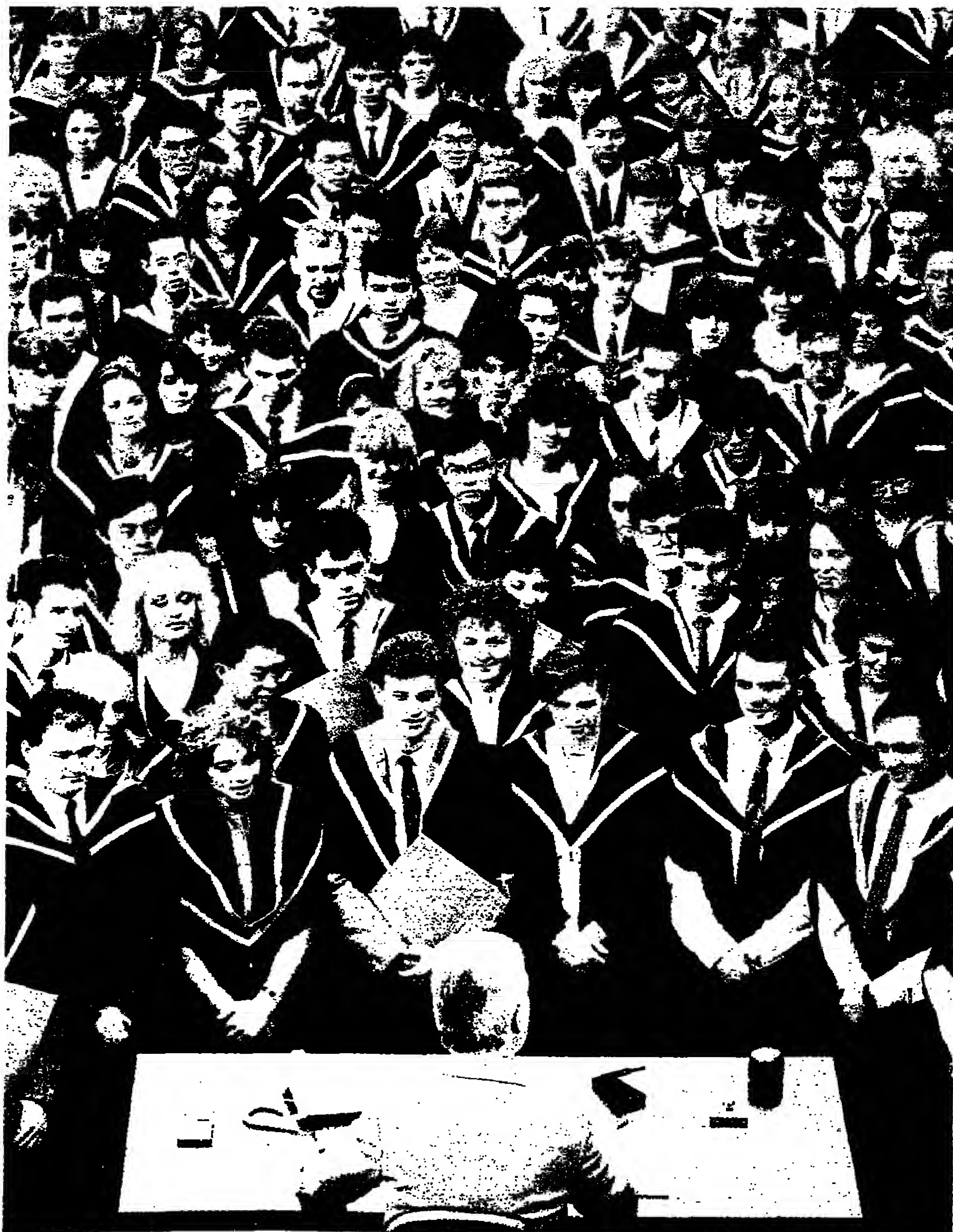
ment and parliament" resulting "from an overdue recognition of the justice of the Unionist case".

Such DUP/UUP splits are probably only the first of the general election campaign. Unionists oppose the International Fund because of its associations with the 1985 pact - although there are signs of desertion on the margins. They are not as adept as either the SDLP or the British government at winning friends at Westminster or overseas.

Over recent years, what with boycotts and everything else, the unionists have almost gone out of their way not to win friends and influence people," says Mr Peter Temple-Morris, Tory co-chairman of the Anglo-Irish inter-parliamentary body.

"It is a sad but real fact that there is a very considerable apathy among MPs in general on Northern Ireland affairs." With the European agenda - despite its potential scope for rendering border disputes less relevant - unlikely to soothe Northern Ireland's rifts in the short term, Mr Brooke knows he has to woo the Unionists if he is to make headway in healing Northern Ireland's wounds.

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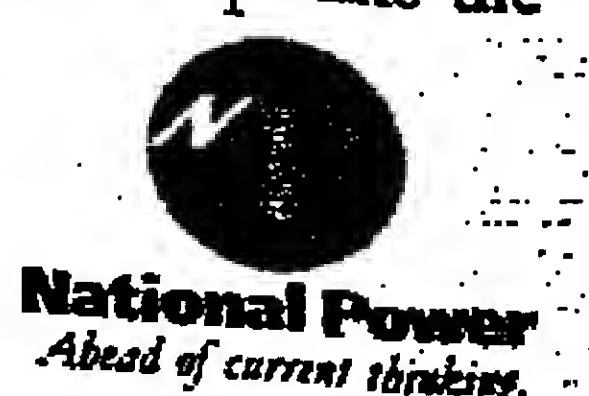
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## WASTE MANAGEMENT 3

## ■ DIFFICULTIES OF DISPOSAL

## A growing problem



The threat to unpolluted supplies underlines the difficulties



Michael Heseltine: Identified the risk of contamination

THE recent decision by Mr Michael Heseltine, environment secretary, to turn down the first of seven applications for large-scale toxic waste plants in Britain because of the threat to unpolluted water supplies underlines the growing difficulties Britain is having in disposing of its waste.

The rejection of Leigh Environmental's proposals for a 120m scheme near Doncaster, South Yorkshire, not only raises a question mark over the other six sites but is also an indication of the sort of pressures currently at work in Britain's \$5bn waste management industry.

The disposal of hazardous waste is only a small, if highly profitable part of the industry. Only a small proportion of it, 4.7m tonnes or 5.7 per cent, can be classified as hazardous, with less than half of this falling into the category of "special waste."

Nevertheless, the grounds on which Mr Heseltine rejected the proposals could have wider implications for the rest of the industry. He said that "while accepting that a need exists, it is not so urgent as to override other site-specific and wider considerations."

In particular, he identified the risk of contamination to the South Yorkshire aquifer, which has no shield of impermeable clay. He also accepted that along with worries about the impact of the plant on local residents' health, it could have a harmful effect on local employment, investment and industry.

As well as showing the growing importance of environmental concerns, industry experts believe it reflects a growing reluctance on the part of politicians to take decisions on the location of waste disposal plants. All sides of the argument agree there is a growing problem. According to Marketing Strategies for Industry in its 1990 report on the industry, in 1990 the total weight of waste rose by 3 per cent to 516m tonnes.

The bulk of this is industrial waste and is disposed of by private sector contractors in what the industry calls landfill sites - or rubbish tips. But although there is in theory no difficulty in disposal

- we are still excavating more from the ground than we are putting back in the form of waste - environmental concerns mean there is a growing reluctance to sanction new disposal sites.

Some of the difficulties of waste disposal have been masked by the recession. For much of the 1980s, the industry was able to pass on the rising costs of disposal to its customers. But with the onset of recession, prices have softened, particularly in the South East, where the slowdown has been sharpest.

This, combined with greater environmental pressures and more UK government and European Community legislation, has begun to drive some of the smaller, less reputable operators out of the market.

Miss Rachel Lucas, an analyst at County NatWest, said it now took two years to get planning permission for a landfill site licence. A few years ago it would have only taken eight to nine months.

"People just don't want landfill sites in their back gardens."

Mr Steve Webb of the policy executive of the National Association of Waste Disposal Contractors says any company attempting to get planning permission needs a "tremendous kitty of money for the very expensive business of preparing evidence and briefings." He says that often local councils don't want to grant planning permission for sites which could upset voters. "There are no votes in granting approval, so it often then has to go to the Department of Environment."

The raft of legislation which will take effect next year is likely to make local councils less willing to grant planning permission for new sites. The most important piece of legislation is the Duty of Care, which is part of the Environmental Protection Act 1990, and is due to come into force in April next year. This obliges every producer of waste, from the shopkeeper to the farmer, to ensure that waste is properly disposed of.

As a first step, this will mean waste producers passing the waste to a registered waste carrier. Waste carriers must apply for registration with local councils, also by April next year, under the 1989 Control of Pollution (Amendment) Act. Mr Webb points out this means the company, rather than each vehicle, for example, has to be registered. If a carrier commits a prescribed offence then they may be removed from the register of approved carriers, which

could lead to the carrier losing business - or that is the theory.

The idea behind these pieces of legislation is to put the onus on the waste producers to ensure proper disposal and also to stop illegal dumping of waste, such as fly-tipping. While waste companies and environmental pressure groups welcome the legislation, many note that it will produce a large amount of paper work. Waste producers will be obliged to keep records on waste for two years.

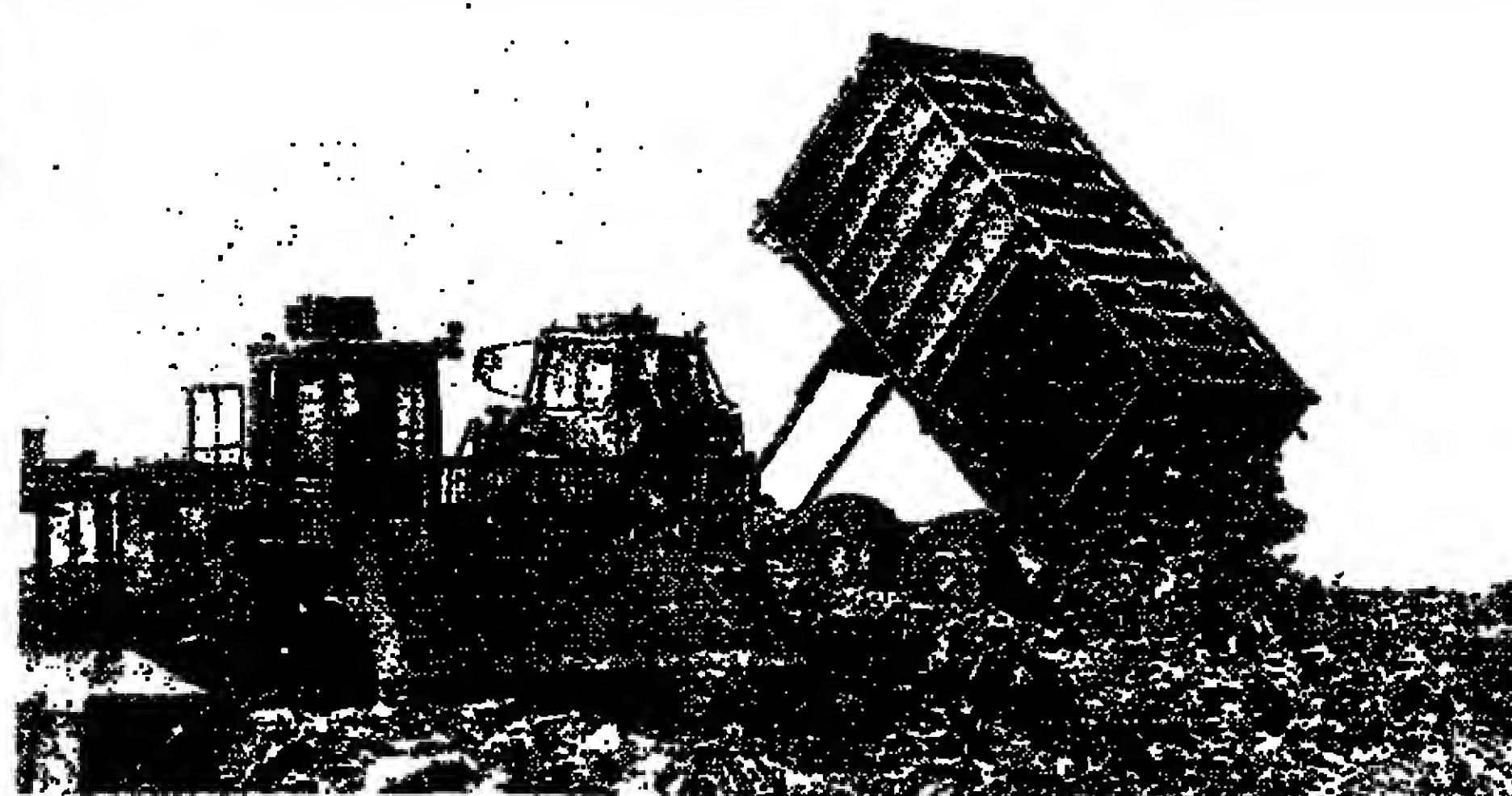
Mr Mike Philpott, technical director at Shanks and McEwan, one of the largest waste management companies, said: "The rules are okay. It's the enforcement that's the problem. It's so often being done at the wrong level."

"We need common standards. It would be very useful to see regional bodies, like the National Rivers Authority, introduced for waste disposal." Analysts believe the impact of the rising cost of the new laws and environmental pressure from the public is likely to leave the industry concentrated in fewer hands. But while costs will be higher, this is likely to pass on in higher prices.

Miss Lucas at County NatWest estimates that the profit margins on landfill sites are on average 50 per cent. Some companies which have paid less for their sites have margins of up to 70 per cent. The industry may become more regulated but it is also becoming more profitable.

However, margins are lower in the more contentious area of incineration. Here, there are fewer private sector operators. Margins tend to be about 25 per cent and costs are high. Public objections tend to be more vociferous, although demand for incineration is strong. These problems mean it is more difficult for the older municipal incinerators to be upgraded. The costs are too high and the municipal authorities seem reluctant to risk the political cost of such a move. Britain seems likely to remain behind the rest of Europe in the use of incineration.

Jim McCallum



A large supply of landfill is likely to become increasingly important as sites become more scarce

## ■ TAKEOVERS AND MERGERS

## Coming of age

IF PROOF were needed that the UK waste disposal industry is coming of age, it was the formation of a joint venture in January between Waste Management of the US and the privatised Wessex Water.

Eight months after it was formed, the venture made its first significant move, buying the waste disposal subsidiary of George Wimpey, the UK construction group, for £105m. Joining the leading North American waste disposal company in a period of increased merger activity was another privatised water company, Severn Trent.

After stumbling at its first attempt to diversify, when it pulled out of buying Caird, Severn Trent successfully bought Biffa from BBT, the business services group, for £212m.

Neither group is likely to stand still. They will be actively looking at other acquisition possibilities, bolt-ons and further joint ventures both in basic waste services and the high-tech disposal of more dangerous substances. If they don't others will.

The UK waste disposal industry is developing in an atmosphere of increasingly tight environmental legislation. Share prices may have fallen from their earlier heights, as recession has finally hit the sector. But the tightening legislation is playing directly into the better operators' hands.

Under the 1989 Environment

Protection Act, manufacturing companies have become responsible, cradle-to-grave, for the disposal of waste materials. While they might have been tempted in the past to choose the cheapest option, the new responsibilities are likely to cause a shift to better quality disposal companies.

The government has already suggested in a white paper that the Act will increase the cost of waste disposal for companies as "market forces" are harnessed to encourage waste minimisation.

As more advanced technology and greater expertise is required to make better use of limited landfill, it will also become increasingly attractive to seek economies of scale by consolidating operations.

For Wessex, the purchase of Wimpey's waste division was a step into a new area. The Wessex Waste Management (WWM) joint venture has bought a significant established operator with sales in 1990 of £35.1m and operating profits of £4.3m. Wimpey has particularly good coverage in the Midlands, the North of England and Scotland, and is rapidly developing its hazardous waste business, including a site at Risley, which is among the country's leading special waste landfill sites.

The acquisition also gives WWM a substantial supply of permitted and potential landfill sites, according to brokers Panmure Gordon. A large supply of landfill is

likely to become increasingly important as environmental awareness, the green "revolution" and the not-in-my-back-yard syndrome continue to reduce the availability of suitable sites.

Severn Trent's purchase of Biffa, was particularly valuable for this reason because of the landfill it acquired with the company. The value of this landfill as much as future income stream is what continues to keep the shares of many waste management companies trading at still heady multiples of earnings.

The Biffa deal gives Severn one of the largest players in the UK waste management business, and a company that made profits before interest of £17.8m on sales of £102.3m in the year to March.

The purchase also lent an inevitability to Severn's sale in October of its 29.9 per cent Caird stake - the remnant of its ill-starred first tilt at the waste sector. The sale of the stake to a variety of institutions restores independence to Caird at a time when it is much strengthened by its retreat from property development.

Rechem's merger with Shanks & McEwan has had a less auspicious year. In October, the company issued a profit warning and said it had no chance of achieving its forecast 20 per cent earnings growth target. Industrial and commercial use of landfill sites had fallen and a number of contrac-

tors were delaying thermal destruction of special wastes, Rechem said.

With the exception of the Rechem merger, most of the strategic linking has involved the newly privatised water companies.

Diversification is high on their priority list because the City of London will accord water companies a higher rating if they can move away from "regulated earnings". Waste is an obvious target because they already have years of experience in sewage and effluent handling.

But so far the deals are likely to have only a minuscule effect on the newly-privatised water companies' earnings.

Among the most notable strategic link-ups are

● Northumbrian with the US-owned International Technology. They have sought approval to build two integrated treatment centres, which burn sewage sludge and toxic waste, at Portrack on the Tees in Cleveland, and at East Howdon in North Tyneside.

● Saur Water, the French service group, has set up joint ventures with Southern Water and Welsh Water. They will be bidding for local authority domestic waste disposal contracts in their regions.

● Thames Water in July bought an industrial waste collection business and a landfill site in Thorpe, Surrey. The acquisition followed the purchase of a Farnham-based waste tankering company in March.

Thames is also forming a joint venture with Kent County Council. The venture is an example of the increasing activity among local authorities, forced by the environment protection act to separate the roles of environment regulator and site operator.

Under the Act, the authorities must either set up independent authority waste disposal contractors, or joint ventures with an outsider. Kent County Council chose the joint venture route and picked Thames from 12 prospective partners.

Despite the arrival of the new operators to relax this grip, if the anticipated increase in industry concentration strengthens the private sector's ability to compete.

Richard Gourlay

## ■ LOCAL AUTHORITIES

## Period of great uncertainty

LOCAL AUTHORITIES are going through a period of great uncertainty over the disposal of waste and their responsibility to ensure that it is done with the minimum impact on the environment.

The way they carry out this task has been revolutionised by the Environmental Protection Act which became law a year ago.

It means that waste disposal and the job of regulating it have become separate functions. Local authorities - county and metropolitan councils in England and districts in Wales - can no longer run a waste tip or incinerator and police it at the same time.

To prevent this happening, a strong element of privatisation has been introduced. The councils will have to set up local authority waste disposal companies (Lawdcs) which will operate at arm's length from them. These Lawdcs will have to compete for business with private sector waste disposal companies.

But while local government is trying to cope with these changes, more uncertainty has been introduced. The Government is proposing to take waste regulation away from local authorities altogether and give the responsibility to a new national environment agency.

The agency would be established by legislation in autumn next year if the Conservative Party is returned to power. The government believes that a centralised organisation - probably including Her Majesty's Inspectorate of Pollution and part of the National Rivers Authority - could operate more efficiently and achieve a more uniform standard of regulation.

But the proposal has already brought strong protests from the Association of County Councils and the Association of Metropolitan Authorities. They have told Mr David Trippier, minister of state for environment, that waste regulation is effective precisely because it is based locally. The local authority can take swift action against illegal tipping or deal with complaints about waste facilities.

"If a national agency were to take on the whole of waste regulation a complete change of approach and vastly increased staffing would be required," they say.

The private sector waste contractors disagree. They prefer a national agency which would issue licences and ensure a "level playing field" for operations throughout the



David Trippier: a message from the local authorities

country. This would ensure fair competition between the Lawdcs and the private sector companies competing for waste disposal business.

"We want local authorities taken out of the picture," says Mr Steven Webb, policy executive at the National Association of Waste Disposal Contractors (Nawdc). "We want national standards and we want them strictly enforced."

There was much criticism of the old waste disposal authorities which were mostly operated by county councils. Under the Control of Pollution Act they were required to produce waste disposal plans from the mid-1970s onwards. These should have been comprehensive strategies for dealing with

waste over a wide geographic area. But until recently many had not produced plans and they were criticised by the House of Commons Environment Committee for their failure to do so.

The private sector claimed that the cost of council waste disposal was artificially low because of hidden cross-subsidies. For example, transport costs could be hidden under a separate transport budget. Under the new system it is hoped that costs of waste disposal will be more accurately assessed. This in turn should encourage industrial and commercial waste producers to adopt more waste minimisation and recycling schemes. Thus, it is argued, the volume of waste will be reduced.

There had also been difficulty in getting the local authorities to co-ordinate their waste disposal plans on a regional basis. Originally, when the Environmental Protection Bill was going through parliament, the government had considered making it a statutory obligation for councils to form regional groups for waste disposal.

The local authorities, however, protested at this and were allowed to make their own voluntary arrangements for co-operation. But this has turned out to be very patchy. There was difficulty in getting the required degree of liaison and the scheme has not been pursued as vigorously as the

government had hoped.

Many councils are now in the process of setting up Lawdcs although not one is in existence yet. They face considerable difficulty in financing such operations. Many have too few waste sites left to make such a company a viable proposition. They must prove their scheme is viable before it can be given approval by the environment secretary.

Some of the sites owned by the councils are not in the best condition to comply with regulations which get tougher all the time.

If they fail to get sufficient funding it would mean that they would not be able to go in for increasingly more popular schemes such as producing energy from the methane gas which is found in landfill sites.

As a result, some are going into joint ventures with private sector companies which are in a position to put capital into the Lawdc. Kent County Council intends to do this.

Other are selling off their remaining sites to the private sector. Waste companies and then entering into contracts with them for the disposal of their own waste - in effect, privatisation.

The system is operated with the environment secretary giving directions to the councils to proceed with establishment of Lawdcs. The company is supposed to be formed a year from that date.

An investigation by the Surveyor magazine found that so far 30 of England's 39 counties and one metropolitan authority, Wigan, had been given directions to form Lawdcs.

In Wales, less than half the district councils intended to form Lawdcs and many were in the process of selling off their waste disposal sites to the private sector.

At the moment there is some confusion about the amount of capital that local authorities will be permitted to put into the new companies and what restrictions will apply to them. The scheme's progress may be delayed until the matter is clarified.

Meanwhile, more uncertainty has been caused by the possibility that the government will introduce further reform of local government. This would result in a single tier of unitary authorities to replace the counties and districts. Once in being, the new councils would have to start struggling anew with the problems of waste disposal.

John Hunt



The private sector claimed that the cost of council waste disposal was artificially low because of hidden cross-subsidies

## Serving the Waste Management Industry.

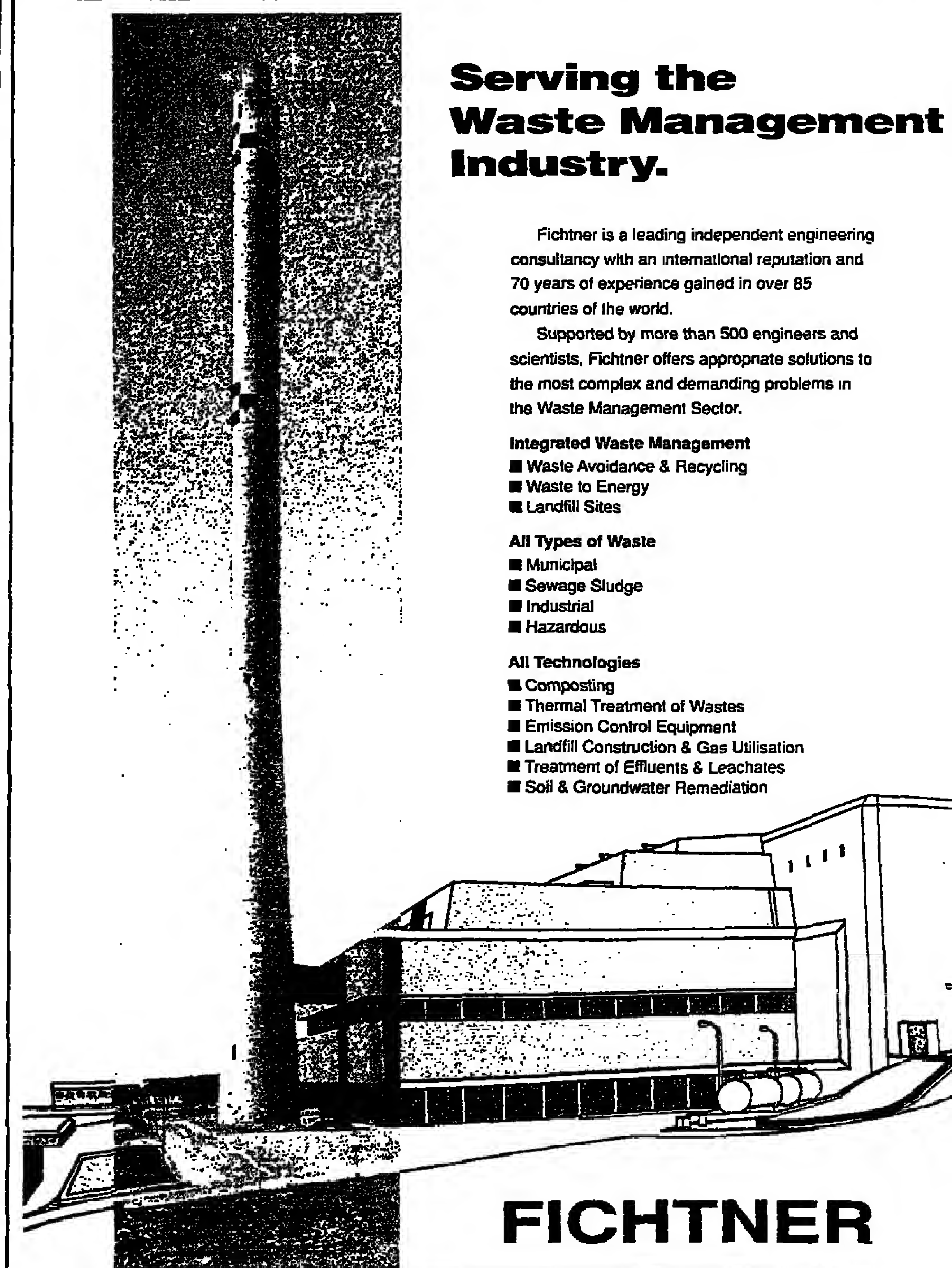
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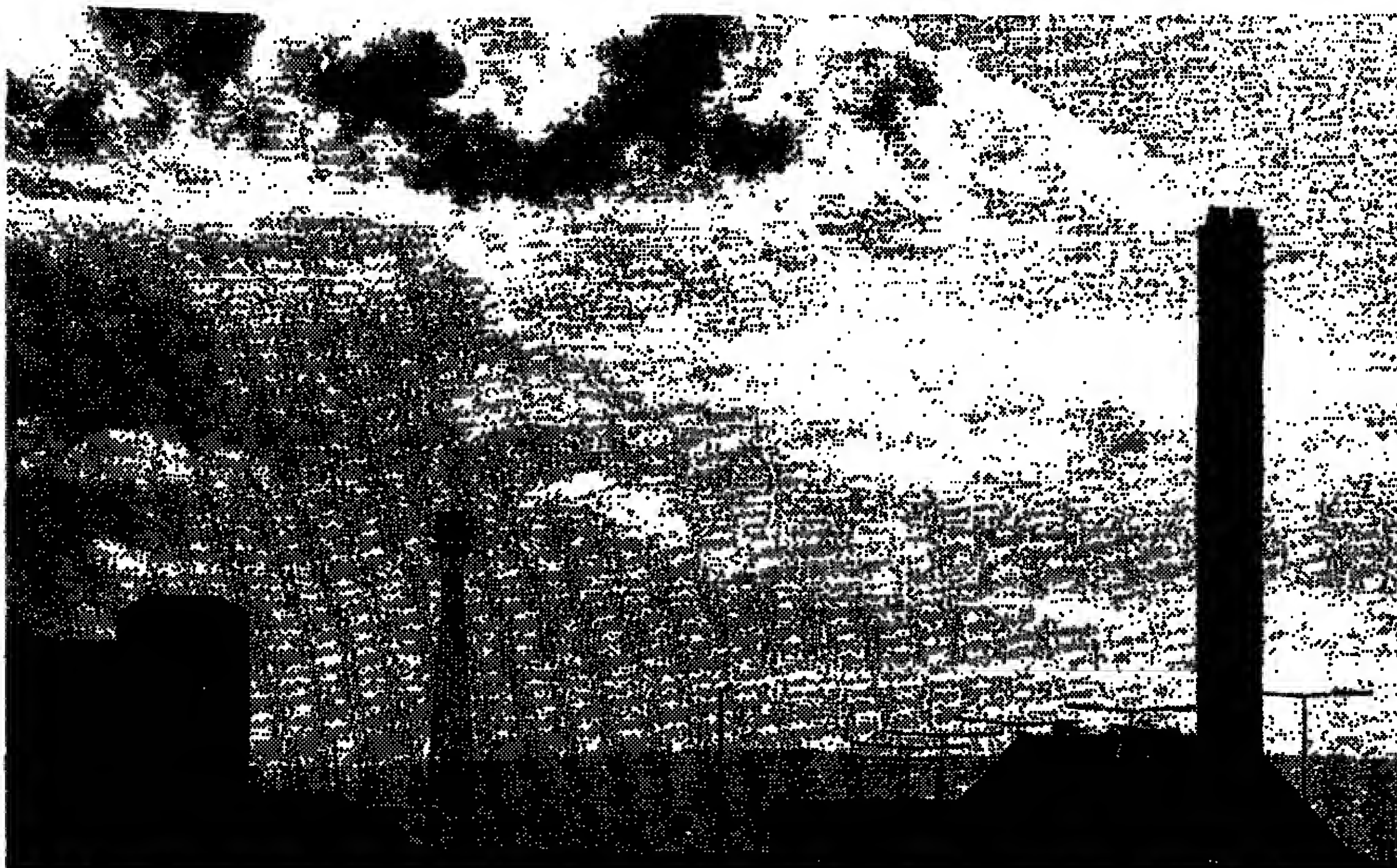
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## WASTE MANAGEMENT 4



A big incinerator can cost £20m to build and it can cost as much as £2,000 a ton to dispose of some toxic substances

## ■ INCINERATION

## Industry versus the environmentalists

THE EXPANSION of incineration in Britain for the disposal of waste - particularly hazardous materials - has become a big battleground between the waste management industry and the environmentalists.

Greenpeace, the environmental pressure group, recently accused the British government of putting short-term profits before human health and the environment in permitting new incinerators to be built.

This was dismissed by the National Association of Waste Disposal Contractors (Nawdc) as nonsense. The association maintains that the high level of technical development in recent years means that incineration is the safest way to dispose of toxic waste.

The accusation from Greenpeace came in its submission to the Royal Commission on Environmental Pollution which is conducting an investigation into incineration. Ironically the submission was published the day after Mr Michael Heseltine, environment secretary, rejected an application by the company Leigh Environmental for a hazardous waste incineration plant at Doncaster.

This underlines the dilemma faced by the industry. Public and Government are demanding the disposal of waste safely but there is strong opposition at local level when a planning application is made for the building of an incinerator.

At the moment the UK has four incinerators for the han-

dling of hazardous waste. These are two Rechem plants at Fawley, Southampton, and Pontypool Gwent plus Cleanway's at Ellesmere Port, Cheshire, and Leigh Environmental's at Killamarsh near Sheffield.

In addition, there are seven proposals for new incinerators being processed. The main reason for the rejection of the Doncaster incinerator was the fact that it was the most important unproven aquifer (layer of rock and soil holding water) in the north of England.

Mr Heseltine acknowledged the need for incinerators but considered that it should not override the other objections in this particular case.

The Government has said it will issue new planning policy guidance on waste disposal facilities and this is still awaited.

There are also 34 local authority incinerators dealing with household waste. Some of these will be incorporated in the new local government waste companies which will operate at arm's length from the local authorities. Others will be shut down because they are old and cannot meet tougher regulations.

In addition, there are 800 clinical waste incinerators attached to hospitals and some of these could face closure because of difficulty in meeting tighter regulations. This will mean that new facilities will have to be built.

There are several reasons for

the growth of the incineration sector. The sophistication of the high temperature processes which have now been developed means that it is a popular way of disposing of toxic waste.

As a result of the clampdown on disposal of hazardous chemicals, industrial waste and sewage sludge, more will have to be disposed of by incineration on land.

Because of tougher regulations coming out of the EC and the new "duty of care" in the UK legislation in the Environmental Protection Act, waste originators and handlers are fearful of incurring heavy legal liabilities if things go wrong.

They often see burning it as the safest option. But this is expensive. A big incinerator can cost at least £20m to build and it can cost as much as £2,000 a ton to dispose of some difficult toxic substances.

Greenpeace complains that with the incineration of toxic and corrosive wastes at sea being banned, incineration on land is now being promoted as the latest "state of the art" solution.

It argues that this process merely turns a visible toxic waste problem into an invisible one and allows industries that produce toxic waste to "continue their poisonous practices".

It says that the new incinerators in the UK will be run at full capacity in order to recover the high costs of building the plants. Their existence will also encourage more imports of toxic waste.

All incinerators release toxic persistent chemicals into the environment through atmospheric emissions, regardless of operating standards, it maintains.

Mr David Boyd, industrial director of Nawdc, dismisses the allegations as "scare stories". He says that there might have been some substance in them 10 or 20 years ago but that big advances have been made in incinerator design since then.

He estimates that 10 years ago 30 per cent of the capital cost of an incinerator was devoted to anti-pollution measures but that percentage has now doubled to 60 per cent.

In its reply to Greenpeace, Nawdc pointed out that the UK's hazardous waste incinerators are strictly regulated by Her Majesty's Inspectorate of Pollution and the local waste disposal authorities. Standards for emission limits in Britain were as high as anywhere in the world.

He said that rather than attacking the waste disposal industry, Greenpeace should address the problems arising from burning of clinical waste in hospital incinerators and in the local authority incinerators which dispose of domestic waste.

Without proper incineration facilities, said Nawdc, Britain will face greater environmental damage through the improper disposal of waste or accidents involving waste in long-term storage.

John Hunt

## ■ PUTTING WASTE TO USE

## Environmental benefits

EARLIER this year, the largest UK project to generate electricity from waste dumps was opened by Shanks and McEwan, the waste management company, at Broxborough in Bedfordshire.

The fact that such a project could even be considered is proof enough that there is a need to put to use the large amount of waste produced each year in Britain.

The site will generate about 4MW of electricity from a municipal rubbish tip and produce power for 30,000 people in Eastern Electricity's network. By the end of next year, a third generator, producing 5MW, will be installed, increasing the power to cover 60,000 customers.

Mr Colin Moynihan, UK junior energy minister, who opened the plant, underlined the importance of the landfill gas projects and said he hoped to see many more coming forward. "Now, in the 1990s, we appreciate the environmental benefits from these landfill gas power projects."

By burning methane, the main component of landfill gas, such plants remove a greenhouse gas which contributes to global warming. They also displace fossil fuels such as coal and oil and thus reduce emissions of carbon dioxide, the most potent greenhouse gas.

The importance of such developments cannot be underestimated. According to the HMTIP report on waste disposal, in 1990 the total weight of waste arising rose by 3 per cent to 51.8m tonnes.

About 30m tonnes of water is produced each year and the bulk of this is industrial waste and is disposed of by private-sector contractors in what the industry calls landfill sites - or rubbish tips. According to a recent report published earlier this year by Her Majesty's Inspectorate of Pollution

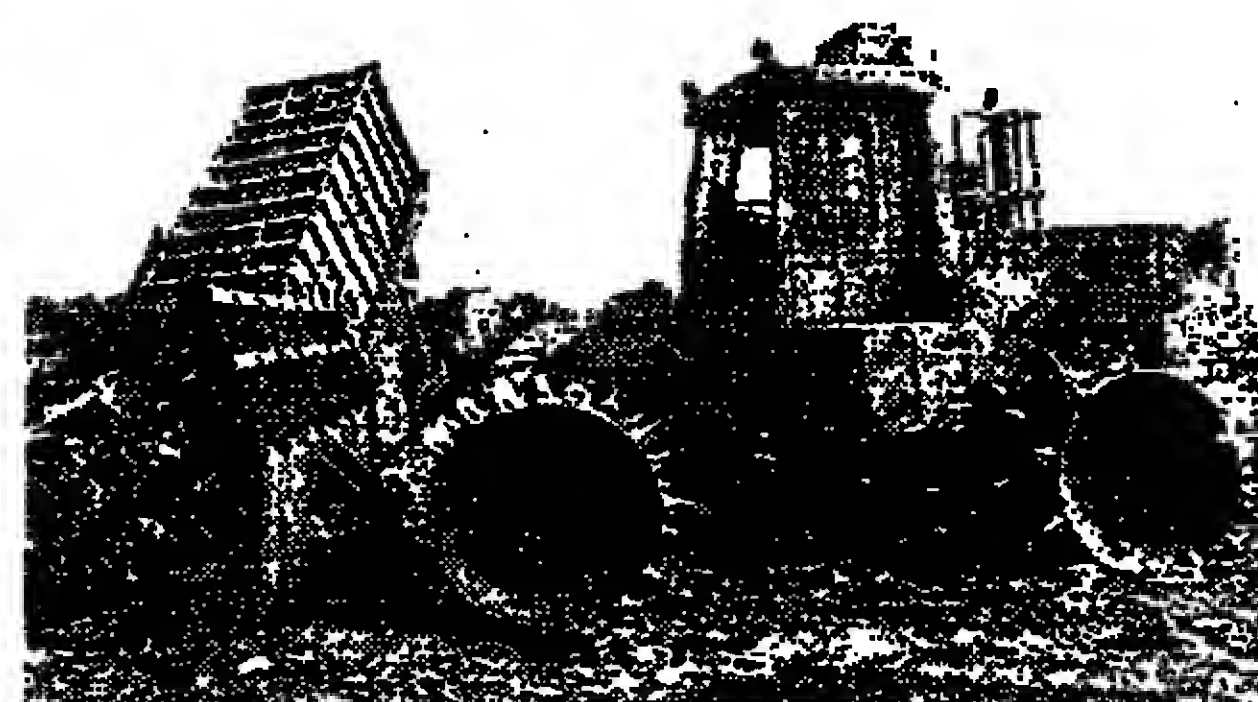
## The attempt to put the landfill sites to use is being encouraged

(HMTIP), more than 90 per cent of controlled waste is disposed of by landfilling.

According to the HMTIP report, when waste is disposed in landfill sites "in accordance with good practice" it is as safe as being undertaken in an environmentally safe manner.

Landfilling creates the conditions in which landfill gas is produced - normally a mixture of methane and carbon dioxide - which has asphyxiating and explosive properties. The report said "Concern over the uncontrolled migration of gas to property from landfill sites has increased with a number of incidents occurring during the 1980s."

The scale of the problem Britain faces with landfill sites was also underlined in the



A 28-ton compactors on a landfill site in Buckinghamshire

report. The HMTIP asked all the Waste Disposal Authorities in England and Wales to provide details of all landfill sites producing landfill gas.

Although the HMTIP was unable to get a complete picture of the problem, its preliminary estimate was of some 1,390 sites in need of controls. Of these, about half were thought to be within 250 metres of housing and industry.

The largest group of what the HMTIP called "potential problem sites" were the closed local authority sites - comprising some 36 per cent or 363 sites. Closed sites in public and private sectors together accounted for 53 per cent of the total identified in 1989 and this had increased to 58 per cent in 1990.

The HMTIP report called on the nation's Waste Disposal Authority to speed up its attempts to deal with the problem either through monitoring or with remedial works.

But the attempt to put the landfill sites to use is also being encouraged by the government.

At the moment, the UK is the largest user of landfill gas from rubbish sites in the European Community and is second only to the US in this area. At the moment, there are 68 landfill gas projects operating in Britain.

Mr Moynihan said he believed many of the landfill sites "were brought forward in response to the first tranche of the non-fossil fuel obligation introduced through the privatisation of the electricity industry."

Many of the larger waste management companies also believe the industry is heading in this direction. "We are moving to larger, geologically safer

sites. That's the way the industry is going. If we can use the heat directly - for factories or houses, then that's even better," says Mr Mike Philpott, technical director at Shanks and McEwan.

The Department of Energy estimates that by the year 2000 up to 1m tonnes of coal can be saved each year by using landfill gas. Eventually it will be possible to quadruple this saving.

However, some analysts have queried the government's strategy of tackling waste by putting it into landfill sites.

Citicorp Investment Bank, in a report last year on the waste management industry, said the UK "contrasts with the situation in the US for example, where all of the waste disposal options available, waste minimisation is the most highly thought of, followed by recycling, incineration and other methods including stabilisation/solidification."

"Direct landfill in the US is still considered the least preferable disposal route, while co-disposal is outlawed."

Environmental pressure groups such as Greenpeace, while welcoming the use of landfill gas, are being put to say that organic material should not be put into landfill sites in the first place.

Instead, Greenpeace says composting is a better solution to the problem of organic waste, while other waste can be recycled.

Ms Madeleine Cobbing, toxic campaigner at Greenpeace, says "all of the current regulation is based on the assimilation policy. That is, the earth can absorb a certain amount of chemical and other waste. Of course, this is the way we used to view the ozone layer."

But as long as Britain's waste policy is based on disposal in landfill sites, the problem of methane gas is not going to go away.

While many of the newer sites are of a much higher

## The large profits could become the focus of resentment

standard, the industry could find itself tarred with the brush of previous mistakes.

The large profits which some of the bigger operators are likely to make in years to come could become the focus of resentment if - as the HMTIP argues - some of the older, more dangerous sites are not controlled.

This may seem unfair, since these sites are mostly the responsibility of local councils. Nevertheless, it is no doubt one of the main reasons why the larger companies have been pressing the government for stronger enforcement of regulations governing the waste management industry.

Jim McCallum

Christopher Parkes reports from Germany which wants to set an international example

## Setting their own house in order

THERE was a little local problem in a Frankfurt area recently. The Trapp company, which breaks up 100,000 cars a year, closed its doors.

The closure was only temporary, but it highlighted a pan-German problem. The bulk of the scrap was readily recycled through metals and plastics plant. Trapp had nowhere to dispose of its annual output of 35,000 tonnes of shredder waste.

The trouble had been building up for the past three years. Wherever the Frankfurt local authorities looked to set up new dumps or incinerators, it ran up against the St Florian Principle - a rather more elegant version of the Wino (Not in My Back Yard) Doctrine - "Dear St Florian, spare my house: set fire to someone else's".

Until the unification of Germany, it had been applied with some effect. According to scant and unreliable official statistics, some 6m tonnes a year of West German waste had been dumped across the border in the East. Now, however, Germans all live together in the same house.

Although Poland and other neighbours are believed to be all too pleased to act as dustbins and repositories for the D-Marks that come with the rubbish, the option is not open: environmental concerns, despite the (temporary) absence of the Greens from parliament, figure large in all political parties' agendas. There is a consensus that Germany must set an international example, first and foremost by setting its own house in order.

Mr Klaus Töpfer, environment minister, has a plan. It should be in operation by the end of next year.

If every citizen pays Bonn up to DM10 more a year, he says, the government will share it

out among the federal states and research institutes for spending on developing new facilities and techniques for waste management.

Within 10 years, he claims, German landfill capacity will be exhausted. Waste output in the west alone (there are no figures for the former DDR) is about 250m tonnes a year.

## Industries producing special waste will be obliged to pay a levy of up to DM200 a tonne

Almost half is building rubble and excavated earth from construction sites, but industrial waste adds 80m tonnes and household rubbish 31m tonnes. There is also 10m tonnes a year of "special" - often toxic - rubbish in need of special treatment.

Mr Töpfer's DM10 levy, however, will not be evenly shared. Industries producing special waste will be obliged to pay a levy of up to DM200 a tonne depending on the toxicity. Ordinary industrial waste will cost DM76 a tonne, household garbage DM25 and builder's

## The BDI employers' association says the proposal is 'immature and economically unjustified'

rubble DM15. That will be only the beginning, charges are to be increased annually.

The minister's proposal offers a small carrot: companies which invest in waste reduction will pay lower charges. Industry is not impressed.

The BDI employers' association says the proposal is "immature and economically unjustified". A survey of the

membership shows it would increase industry waste handling costs by 80 per cent to a level without comparison in the industrialised world.

But then, Germany's waste management problems, now that they include those of the former DDR, are among the worst in the western world. The estimated annual income of DM10bn from Mr Töpfer's programme looks modest lined up against the DM11bn set aside in the federal budget next year for cleaning up just one blot in and around the Wismut uranium mines in the east.

Germany's visible rubbish tip is only a part of the burden. Many pre-unification industrial and urban developments stand on poisoned land.

"It's like Aida," says Mr Heinz-Günter Groninger, a consulting engineer from Stuttgart. "You might have it, but you don't talk about it." But, as in the case of Aida, things have changed as more of the iceberg has become apparent.

At present tens of thousands of effectively unemployed east Germans are being excluded from the jobless totals because they are being paid by Bonn to clean up behind their former Communist masters. But the real task lies beyond the capacities of a man with a wheelbarrow.

Mr Groninger, for example, reports that virtually everywhere he looks on behalf of investors seeking sites in the east, he comes across industrial land contaminated with oil, heavy metals and chlorinated hydrocarbons.

The polluting effects on ground water and atmosphere are as self-evident as the law is strict.

Until March next year, government has undertaken to make good such sites, but after that the new owners will become liable for repairing the damage of 60 Nazi-Communist

years of vandalism. Low land prices and labour costs (which are in many cases due to rise to full west German levels by 1994) lose much of their appeal in these circumstances. In the words of one observer, taking the plunge calls for "an heroic faith" not commonly found in investment circles.

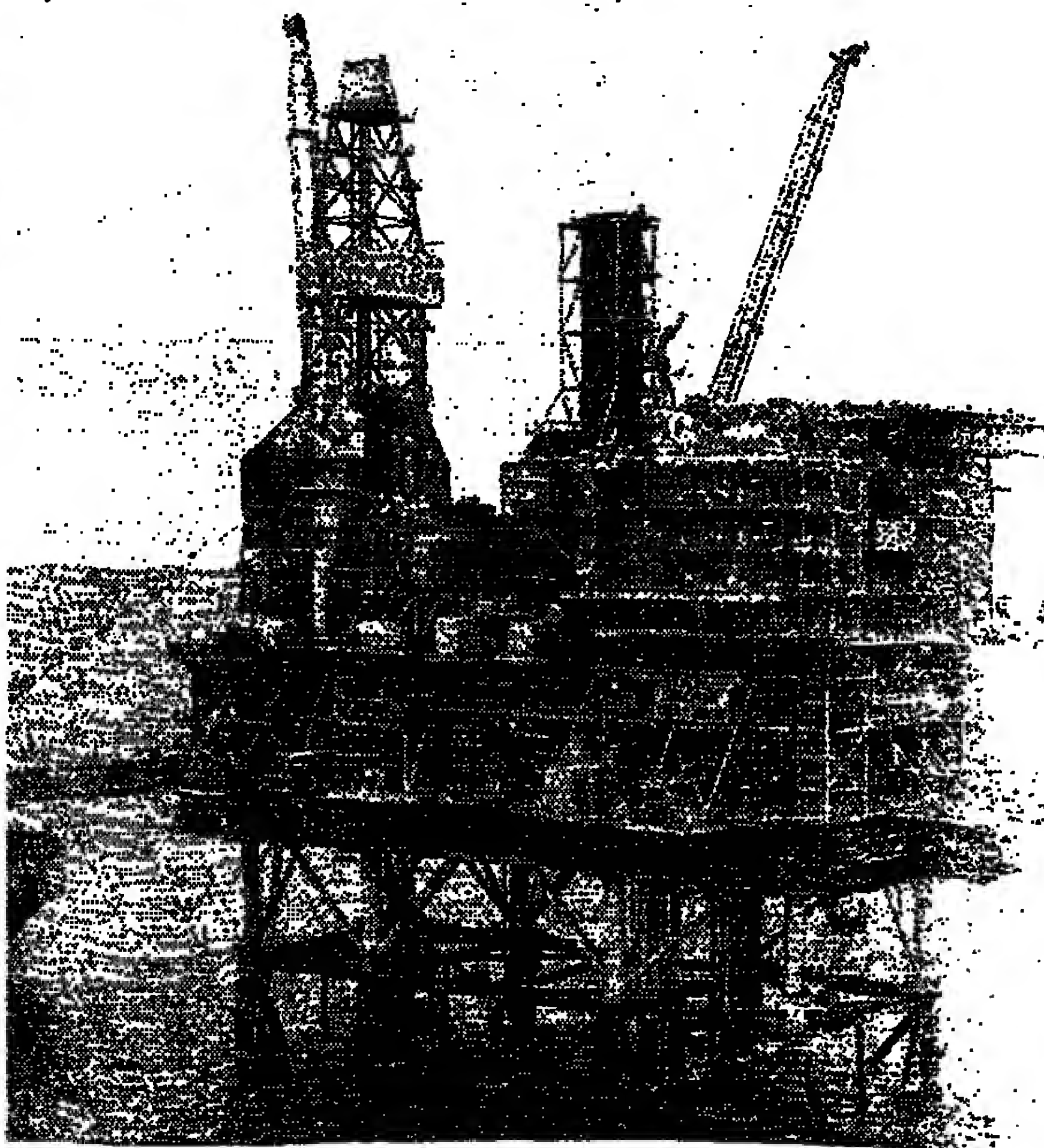
Meanwhile, faith in the St

Florian Principle persists. Earlier this year the government ordered the abandonment of an experimental fast-breeder reactor, 18 years and DM7bn in the building, after local authorities, under public pressure, refused to issue an operating licence.

The Lower Saxony government, likewise, squeezed

between popular protest and a federal law which says all especially toxic waste must be burnt, has been prevaricating for months over the approval of an incinerator.

The 70,000 tonnes of noxious leftovers produced annually in Lower Saxony is currently set fire to in someone else's back yard.



Waste disposal can be a headache when space is at a premium. A waste compactor produces bags of compressed refuse and bales of cardboard on this North Sea platform

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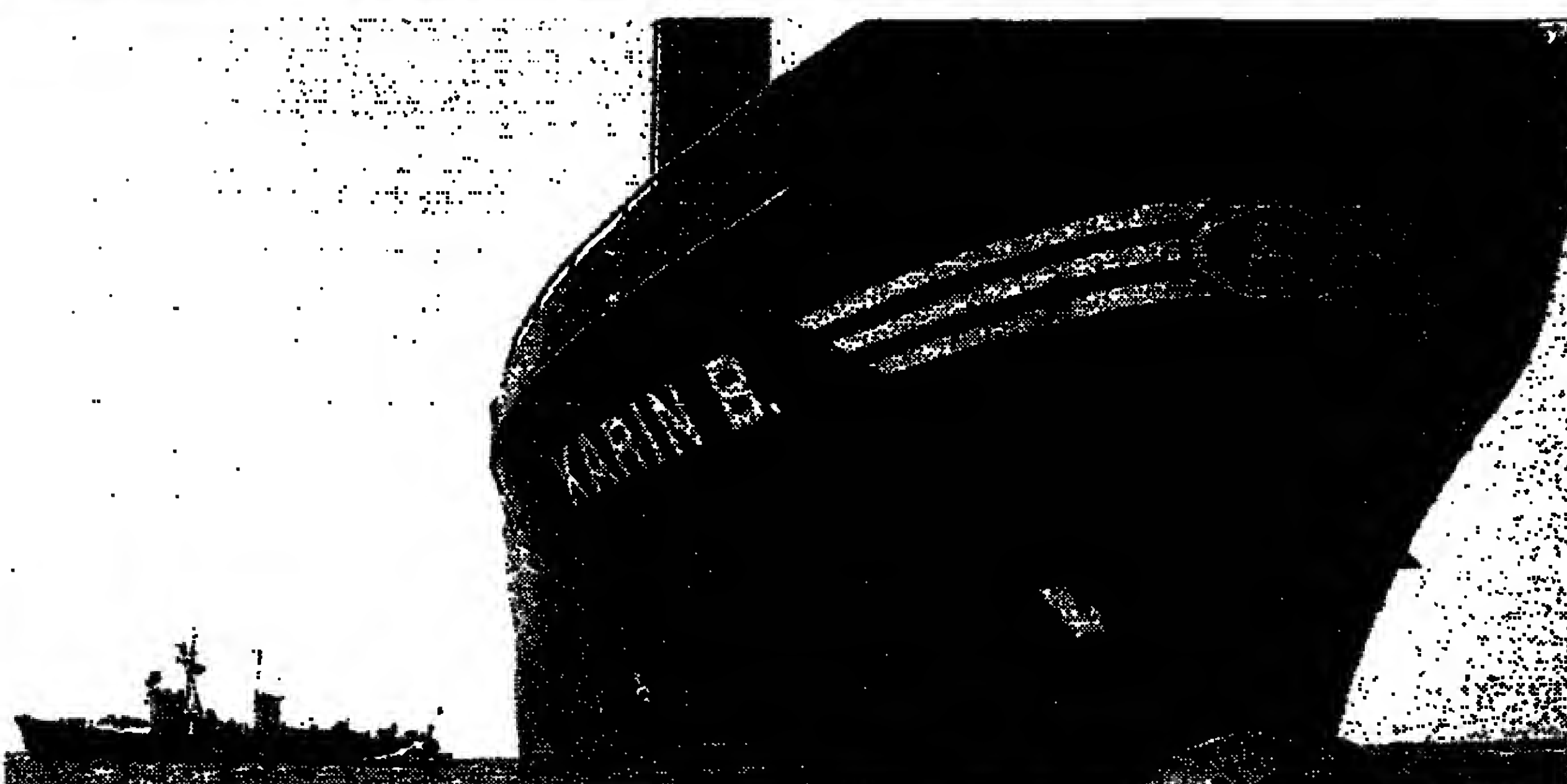
This anaerobic system designed and constructed by Badger is owned by the city of Beloit, Wisconsin. The plant treats 800,000 gallons daily from the city's expanding industrial park.

## Raytheon

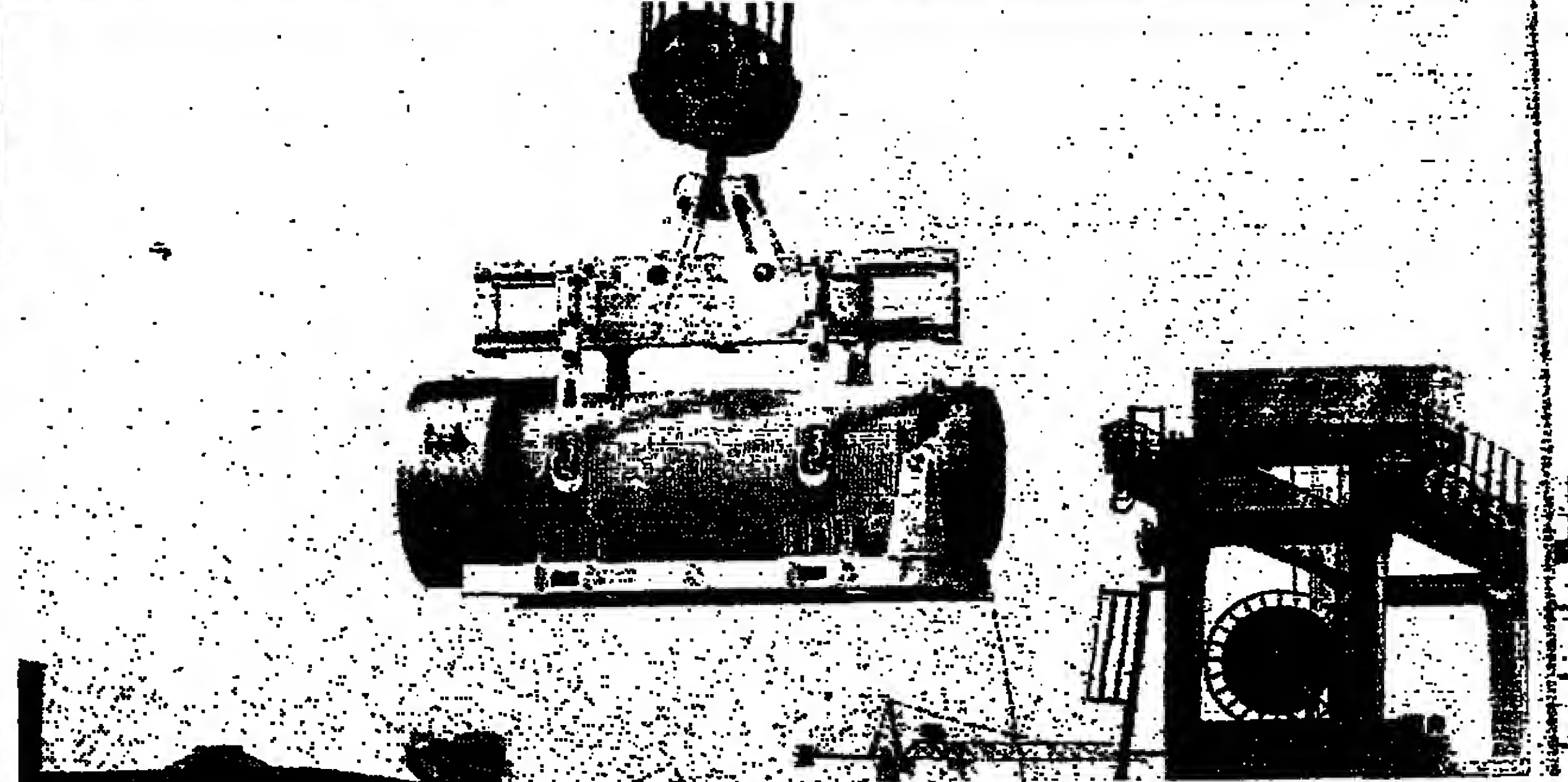
An established environmental team solving some of the toughest problems on earth.



## WASTE MANAGEMENT 6



Toxic waste carrier Karin B with Greenpeace ship Sirius: the waste has since been discreetly incinerated in the UK



Hazardous waste activities are taking place all the time: spent nuclear fuel is unloaded at Barrow docks, Cumbria

ONLY rarely do shipments of hazardous waste catch the public eye, but the silent trade in toxic substances represents one of the biggest environmental challenges for the 1990s.

While it was once possible to quietly dump industrial by-products or ship them abroad, a growing number of regulations is restricting their export, and raising standards for disposal around the world. The UK, however, remains far behind many of its counterparts overseas.

Controversy over the transport of waste was stoked in August 1988, when the Italian ship Karin B prepared to unload its cargo in Britain. A public outcry helped persuade the government to refuse the load on a technicality at the time. But, discreetly, the Karin B's waste has since been unloaded and incinerated in Britain.

Beneath the headlines, in more technical circles, hazardous waste activities are taking place all the time. Officials are still resolving how and with what precautions waste will be transported through the Channel Tunnel, for example.

On one hand, the British government - backed by chemical companies - argues that the technology of incineration and existing shipping procedures allow waste to be safely transported and destroyed.

On the other hand, pressure groups such as Greenpeace call for a total ban on waste shipments, saying that both transportation and incineration

incur unacceptable risks and that the emphasis should instead switch to efforts to reduce the amount of waste produced in the first place by industrial processes.

Given the volumes of waste involved, and the entrenched interests represented, the challenge facing campaigners is enormous. Across the globe, an estimate by the US Environmental Protection Agency (EPA) three years ago put cross-border shipments of toxic waste at 2.2m tons per annum.

According to "Global Dumping Ground", a book published earlier this year in the UK by the US-based Centre for Investigative Reporting, Britain imports more waste than any other country in Europe with the exception of East Germany. The book argues that the UK has far less rigorous laws on waste movements than many of its EC counterparts.

"There's really no logic to the waste trade," says Madeleine Cobbing, Greenpeace waste trade campaigner. "It just flows as long as it is defined as a commodity." She talks of "waste trafficking" or even "toxic terrorism".

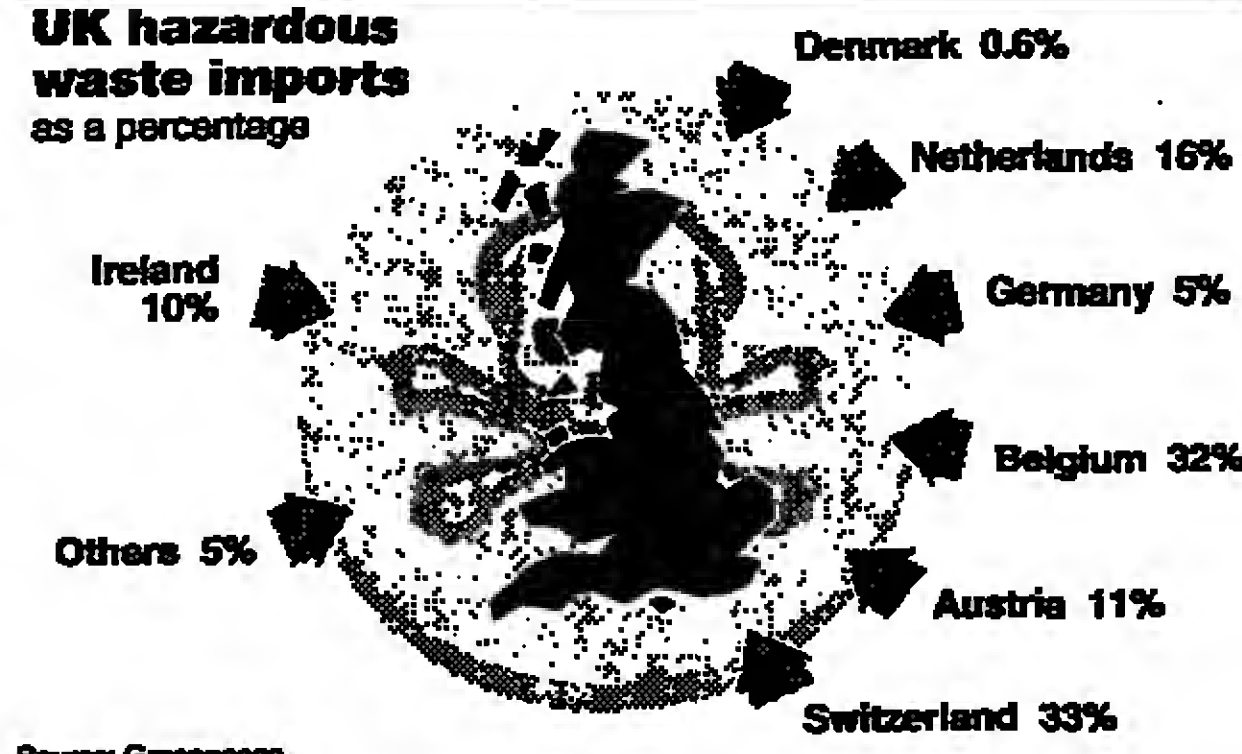
Emotive phrases aside, there is no doubt that the profits from waste handling are far more clear-cut than the problems surrounding it. Figures on the volumes transported, the by-products of incineration and the health risks incurred are far from reliable.

Torfaen, one local authority in South Wales, which has a private incinerator within its boundaries, estimates that it

## HAZARDOUS WASTE

## Growing number of rules

UK hazardous waste imports as a percentage



Source: Greenpeace

costs £25,000 a year simply to monitor the waste movements into its district.

Britain's ability to monitor waste centrally remains limited. Staffing at Her Majesty's Inspectorate of Pollution is far lower than at many of its comparable bodies overseas, such as the EPA in the USA.

There are certainly significant variations in the official data. In Austria, for example, incinerator ash is classified as hazardous, while under existing EC regulations it is not. In 1989, Austrian export permits suggest more than 4,000 tonnes of ash was shipped to the UK but the British government

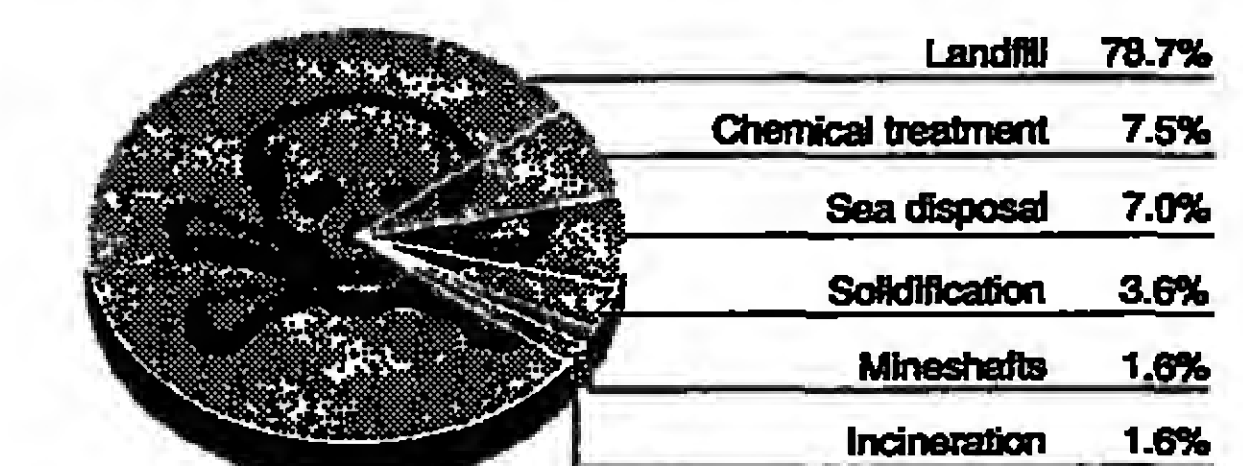
says it only received 199 tonnes of Austrian ash that year.

Meanwhile, the volume of household rubbish and industrial production continues to increase around the world, generating increased waste, while the surplus capacity of domestic processing plants and landfill sites is shrinking.

Greenpeace argues that shifting from land or sea dumping to incineration is just as unsatisfactory as sweeping it under the carpet by exporting it to other countries or regions with laxer standards.

Incineration does not completely destroy waste, but

Hazardous waste: UK disposal



Source: Department of Environment

rather disperses pollutants through air and water emissions during combustion, while generating often highly toxic ash which still has to be disposed of afterwards. Incineration may also create new and unidentified compounds not present in the original waste, called products of incomplete combustion. The pressure

group highlights the documented illnesses and deaths caused by people living near toxic waste dumps. It also stresses the admittedly anecdotal medical evidence of those who live near to incinerators, including cancer and damage to the nervous system, liver and kidneys.

Similar concerns have been

expressed by the British Medical Association which last June called on the government to reduce and ultimately ban the import of hazardous waste after fears that it could cause severe harm to humans and animals even in low concentrations.

"Incineration has an unknown environmental impact," says Cobbing who adds that it also requires waste to be transported from its source, exposing it to the risk of accidents in transit, where it may be inadequately labelled and prove difficult to identify during clean-up procedures.

"Trade in waste moves the problem rather than dealing with it," she says. "What we need instead is to use 'clean technology', which does not generate waste and replaces it with less hazardous processes."

"Clean technology" or "clean production" includes greater use of non-toxic production methods, waste minimisation and recycling within existing industrial processes. Water-based solvents could replace chlorinated ones, for example, while laser technology in metalworking reduces the need for degreasing techniques.

Instead, however, the government defines clean technology as incineration equipment which will dispose of waste, says Greenpeace. In a document published recently, the organisation suggests that while the authorities have begun to talk about every country becoming self-sufficient and dealing with its own waste, the UK imported more than 37,000 tonnes of waste last year, 95 per cent of which came from its European neighbours.

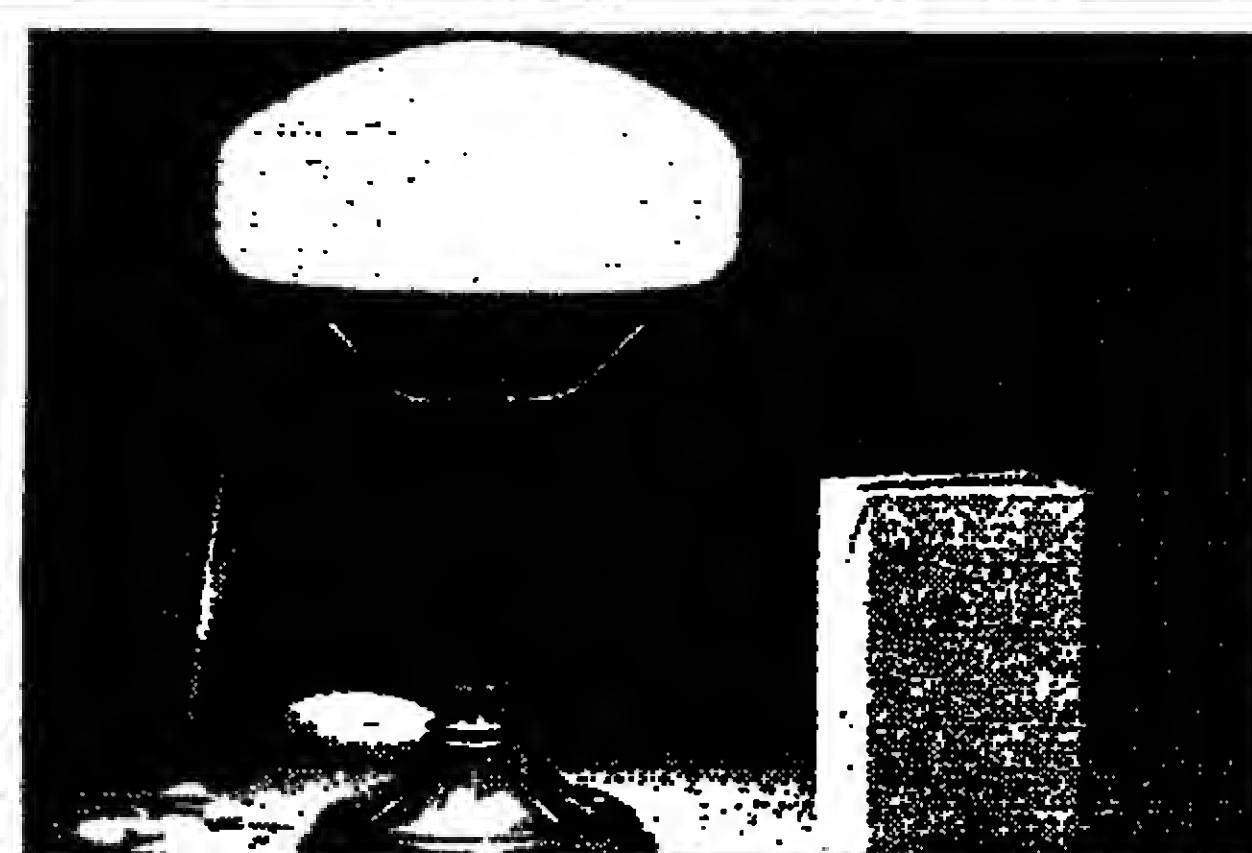
There are already four toxic waste incinerators in the country and current plans could expand that by a further seven over the next few years, bringing capacity up to a total of 410,000 tonnes a year. Given the UK's current domestic production of hazardous waste, the only way to meet the capacity will remain profitable will involve further imports.

While waste trade disposal remains essentially a profitable business, and the government maintains a relaxed attitude to regulation, moves to reduce the volumes moving into the UK are likely to come only very slowly.

Andrew Jack



Aachen technical college has established a plant to recover polyethylene and aluminium from carton composite materials



The paper and polythene in a beverage carton can produce enough energy to burn a 40 watt bulb for 1.5 hours

Andrew Jack takes a look at aspects of recycling

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WHEN the Dow Chemical Company decided to launch a waste minimisation programme in the UK in the late 1980s, one of the first areas to receive attention was its "Star" weedkiller production plant in King's Lynn, East Anglia. It now estimates that the "greening" of the process has saved more than £500,000 a year.

The company is one of a number in different business sectors which are already applying some aspects of recycling in their operations for sound commercial reasons. Elsewhere, however, particularly in the sphere of household waste, the current prospects for recycling appear far more gloomy.

"The issue for the Dow is quite simple," says Mr Andy Gillis, environmental specialist and occupational hygienist for the company in the UK. "Waste minimisation is part of total quality management. It is good business. If we want to be operating in five years' time, we've got to do it."

The new mood in the UK gained momentum after the company formally introduced its Waste Reduction Always Pays (Wrap) programme from the USA in late 1988. Wrap will continue indefinitely, with constant monitoring of processes and continual improvements affecting the most wasteful as soon as possible.

In the past, the two organic process solvents used during the production of the weedkiller - methanol and DMF - were collected as they became contaminated, transported to a commercial high temperature waste incinerator and destroyed. One of the solvents alone represented 2,000 tonnes of waste burnt each year.

Now both solvents are recycled. One of them is cleaned using an in-house loop with relatively unsophisticated technology. In exchange, the company buys less "virgin solvent", and reduces its disposal costs, while boosting its environmental image.

Mr Gillis points to other examples of waste minimisation on the King's Lynn site which have since been adopted. The latex manufacturing facility uses large amounts of water, which rapidly become contaminated with latex particles.

The resulting "white water" could potentially damage aquatic life and cannot be released into the water supply. Instead, it is treated using an expensive process called "flocculation" which causes the latex particles to bind together and sink to the bottom of the water, where they can more easily be removed.

He says there are about 30 different areas within the latex production process that have been altered, either to reduce the production of contaminants, or to re-use it where it does occur.

Many are very simple, including the use of drip trays to reduce spillage, and substituting pumps that are currently water-cooled with other models.

Since 1987, he estimates the volume of white water generated has fallen by about 50 per cent.

He argues that changes would have been very difficult to bring about without commitment from the senior executives in an organisation, and the involvement of employees at every level - particularly the shopfloor workers who run the equipment and really understand the processes and problems involved in daily operations.

While Dow has been introducing minimisation techniques for economic reasons over many years, Mr Gillis certainly does not dismiss the influence of public pressure on bringing about change.

"The driving force is legislation, particularly from the USA, but increasingly from the EC," he says. "For larger companies, the main issue is also the public and customer expectations. That has changed dramatically in the last three or four years. It has had a tremendous impact."

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The new techniques have not been introduced without difficulties, however. "There is real conflict between the drive to reduce waste and the need to improve product quality and keep the customer happy,"

says Mr Gillis. For example, very minor modifications in the raw materials used for latex production create more than 40 different blends with varied uses. Any reduction in quality could spoil the products.

However, the picture of recycling across the UK - and in other parts of the world - is far less glowing. While certain industries readily appreciate the economic gains to be made, particular concern has been expressed in the sphere of domestic recycling.

According to "This Common Inheritance", published in September 1990, the government's aim is to recycle half of recyclable or 24 per cent of all household waste by end of the century, compared with about 2.6 per cent currently.

An unusual alliance of sceptics has built up around this objective, which is unlikely to be met without fundamental shifts in public policy. Last July, County NatWest, the stockbrokers, produced a report on waste management arguing that the government's present reliance on exhortation would not be sufficient to meet its targets. The UK lags the USA and "appears blind to the need to stimulate the market," it warned.

Friends of the Earth (FoE), the environmental pressure

group, is equally doubtful. A survey it produced in July showed that only 35 of 362 local authorities questioned were running kerbside collection schemes. Nearly 84 per cent said they would not introduce such schemes, partly because of the tremendous cost involved. Yet without such support, recycling domestic waste will prove very difficult.

On one hand, FoE concedes, the government has required local authorities to draw up waste recycling plans by August 1992. Yet on the other, it has no plans to monitor and enforce these plans.

Paul Walker, FoE's recycling campaigner, says that her post-bag is full of people wanting to recycle their rubbish, and anxious to find out how. Most have to rely on widely-scattered deposit sites. "People want to recycle, but the government has to provide more money if it is serious about meeting its target," she says.

Mr John Barton, head of the materials recovery division at Warren Spring Laboratory, says: "There has been a change in awareness. It is very clear over the last two or three years that industry has put together environmental policies on waste minimisation. I think most sectors are looking at it seriously. But on the domestic side we are still at a very early stage."

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## NORTHERN IRELAND

SECTION IV

Tuesday November 26 1991

**A**S THE map of Europe changes, the "dreary steeples of Fermanagh and Tyrone" observed by Winston Churchill after the first world war stand impervious as ever against the deluge.

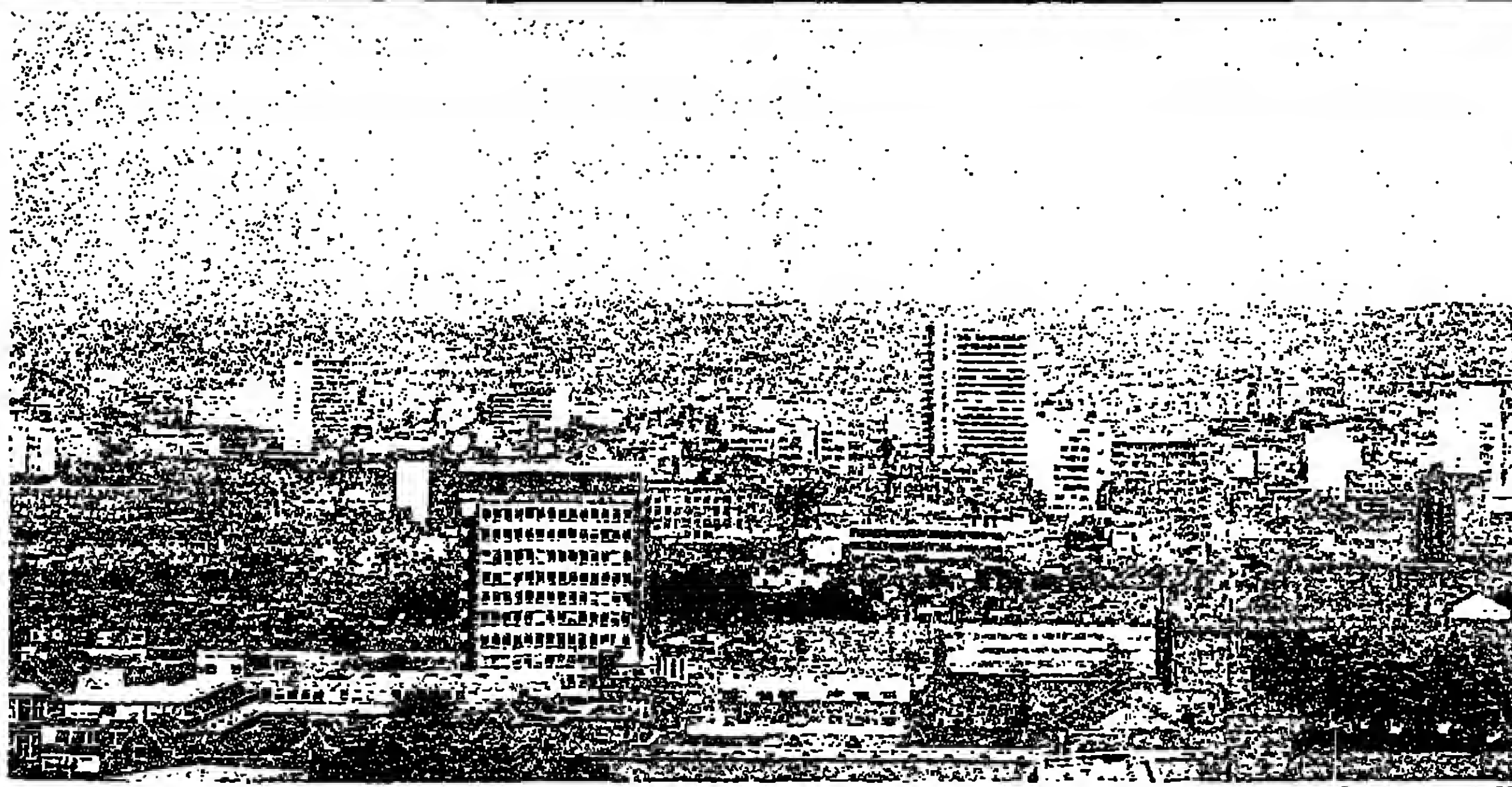
Northern Ireland's political quarrels and economic struggle are isolated from debate on Europe's future. Locally-elected politicians, the British and Irish governments alike, increasingly see the solution to its centuries-old divisions as coming from within the province itself.

The quest for internal harmony has taken some steps forward over the past year, and nearly as many back. The economy is weathering the recession better than mainland UK, imbuing a sense of independence. But it has yet to prove that regeneration can extend much beyond the Northern Ireland Office's apron strings - £7bn has been pencilled in for spending in the province in 1992-93. Unemployment continues to rise faster than ministers can unveil job-creating initiatives; there is a lack of debate on the opportunities of a single European market.

Nationalist and Unionist politicians were brought to the negotiating table to discuss the province's political future for the first time in 15 years. For eight precious days in June and July, Northern Ireland's veteran leaders - Mr James Moynihan and the Rev Ian Paisley, of the two Unionist parties, and Mr John Hume, of the nationalist Social Democratic and Labour Party - sat opposite and listened to each other.

It had taken Mr Peter Brooke, Northern Ireland secretary, 14 months to reconcile the apparently irreconcilable preconditions for talks. Seven out of the 11 weeks set aside for talks were wrecked by unforeseen disputes over procedures, venues and chairmen.

Unionist leaders, sensing that they have moved too far towards addressing Northern Ireland's problems in a nationalist framework, have insisted on a renegotiation of the ground rules before talks can restart. Their demands, and the increasing inter-party rivalry ahead of the general



Just another pretty city when violence lets it be: the built-up Belfast gives way to landmark rolling green hills

Picture courtesy of IDB

## Quest for harmony

The search for political reform by players in Belfast has taken steps forward and steps back but terrorism continues, writes **Ralph Atkins**. Recession is exacerbating difficulties in the region's economy

election, make a resumption unlikely in the near future.

Security has too often overshadowed politics. Civilian, army and police deaths in 1991 threaten to be as bad as the worst years of the 1980s. Internment, supported by some in the security forces and many in the Unionist camp, has risen on the political agenda - although Mr Brooke shows no sign of sanctioning its use.

Yet the government announced, with only token Unionist protest, the merger of the Royal Irish Rangers with the Ulster Defence Regiment - a move made as part of the defence cuts but coincidentally helping assuage nationalist worries over the Protestant loyalist paramilitaries organised a ceasefire during the political talks; their re-emergence has, together with continuing IRA activity, put pressure on politicians not to block political progress. In more hopeful moments, government ministers detect an increased amateurishness by terrorists and mounting grassroots horror at their recklessness.

Mr Brooke's achievement in two years at the NIO has been to forge more of a broad, cross-

border consensus on how Northern Ireland's problems should be addressed. He says Britain has "no selfish strategic or economic interest" in the province. He argues - to at least some murmurs of assent in the Irish Republic - that Northern Ireland will remain part of the UK as long as the majority of its population so wish. His personal preference for maintaining the union is added afterwards.

Gone is the Conservative's ideological commitment to the union. It is pragmatic unionism - but not necessarily a stance that undermines the majority community's desire to remain part of the UK. The nationalist SDLP, though aspiring to a united Ireland, talks

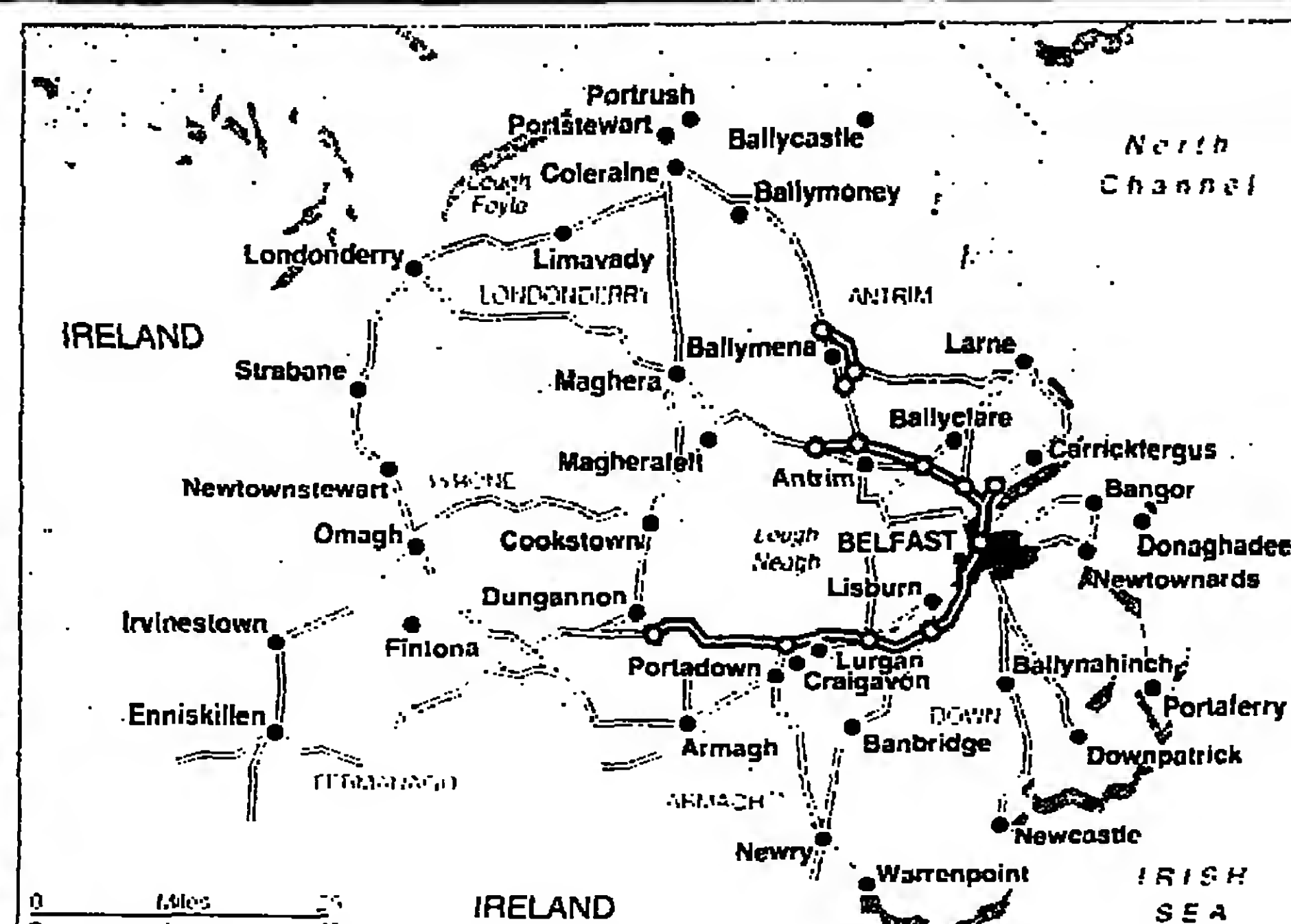
more of defining Northern Ireland's constitutional problem than of imposing a particular solution.

**A** central tenet of British and Irish policy remains the 1985 Anglo-Irish Agreement which, as its first article, states that a change in the status of Northern Ireland would only come about with the consent of a majority of its people. But - to the continuing anger of Unionists - it recognises that the south has a role in the affairs of the north.

It is a policy package Mr Brooke has found increasingly easy to sell abroad, particularly in the US where Irish Catholics have long objected to

any policy smacking of imperialism. The resignation of Margaret Thatcher, who was linked with Britain's hard-line stand against the 1981 republican hunger strikers and traditional Conservative unionism, has added to the impression of greater even-handedness, even if she was an architect of the 1985 agreement. Mr John Major has no known strong views on Northern Ireland.

Overseas support has helped promote investment. Ministers have resisted the spread across the US of the so-called MacBride principals, which oblige companies to discriminate positively in favour of Catholics and which, the Northern Ireland Office believes, deters investors. So far this year no



new MacBride legislation has been passed by US state legislatures and it has been rejected by the US House of Representatives.

Instead the 1988 Fair Employment Act requires companies in Northern Ireland to go to sometimes inordinate lengths not to discriminate, intentionally or otherwise, against Catholics or Protestants. This year, the Act has yielded the first accurate religious breakdown of the province's workforce.

**T**he International Fund for Ireland, set up in the wake of the 1985 agreement to promote cross-community projects, has received donations totalling \$170m from the US since its creation, as well as substantial donations from the European Community and Canada.

The difficulty for Mr Brooke has been in sketching in the details of his vision for Northern Ireland. As the summer talks illustrated, agreement on devolved government in the province, and on mechanisms for linking north and south Ireland, and London and Dublin, is as elusive as ever.

Continuing "direct rule" from Westminster costs the British government support

when it is accused of abusing human rights or of suppressing free speech by banning broadcast comments from Sinn Féin, the IRA's political wing.

Unionists remain defensive, and look less coherent. Mr Brooke's agenda is, at best, only reluctantly accepted. Within Mr Paisley's Democratic Unionist Party, there are a few who see the arguments as having moved on. Mr Nigel Dodds, DUP Lord Mayor of Belfast, says: "Dublin's role [in the province] is persuasive. It is not weakening. It is so strong that the government, rather than continue with talks in July, prefers to restart the Anglo-Irish conference process."

But he does not accept what some might see as the next logical step taking a more accommodating stance towards the aspirations of nationalist neighbours. Within the Ulster Unionists, however, Mr James Moynihan, party leader - perhaps detecting that others might be looking to him for support in the event of hung parliament - believes his hand has been strengthened.

He told the UUP's annual conference last month that there had been an "obvious shift in attitudes in government and parliament" resulting "from an overdue recognition of the justice of the Unionist case".

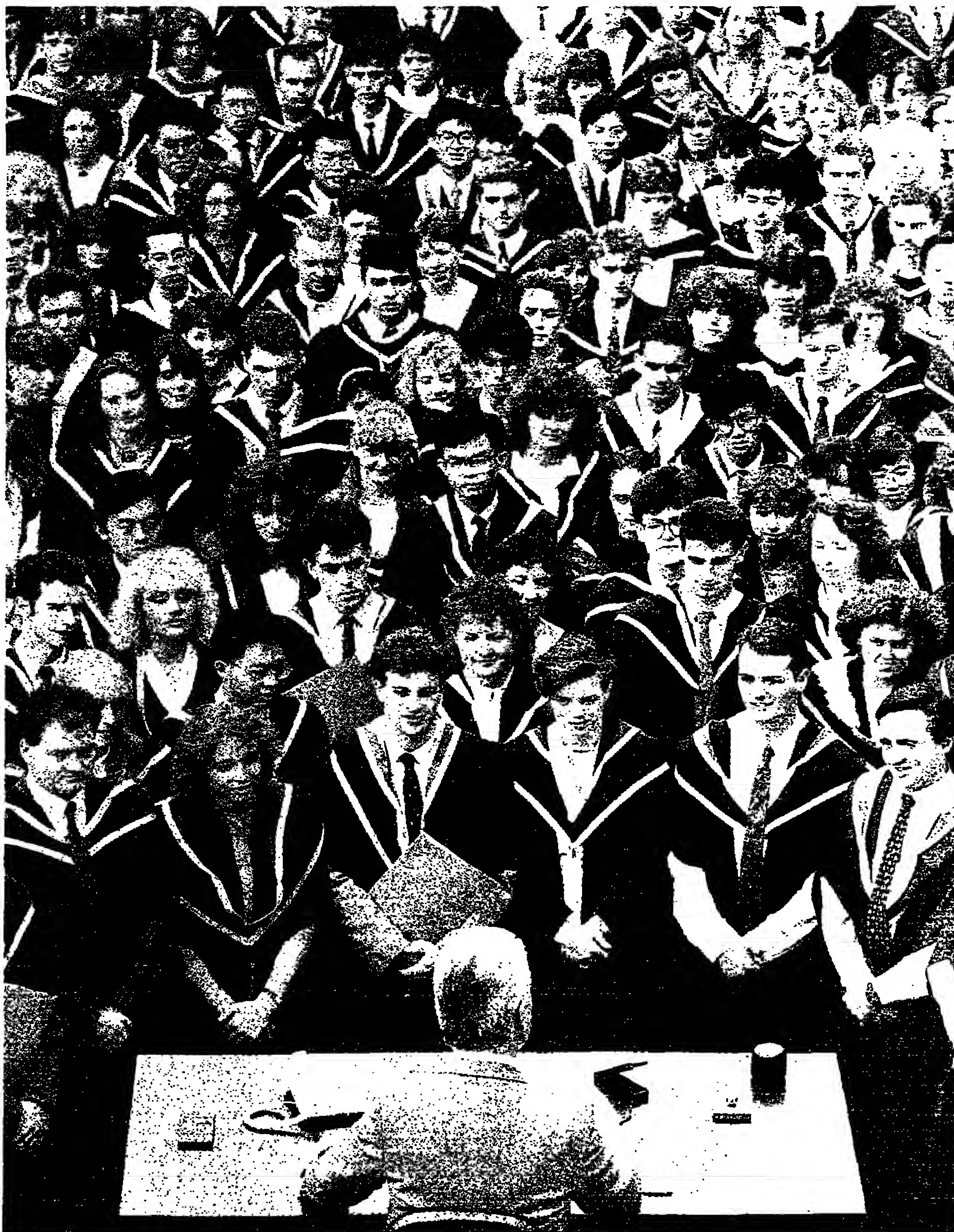
Such DUP/UUP splits are probably only the first of the general election campaign. Unionists oppose the International Fund because of its associations with the 1985 pact - although there are signs of desertion on the margins. They are not as adept as either the SDLP or the British government at winning friends at Westminster or overseas.

Over recent years, what with boycotts and everything else, the unionists have almost gone out of their way not to win friends and influence people," says Mr Peter Temple-Morris, Tory co-chairman of the Anglo-Irish inter-parliamentary body.

"It is a sad but real fact that there is a very considerable apathy among MPs in general on Northern Ireland affairs."

With the European agenda - despite its potential scope for rendering border disputes less relevant - unlikely to soothe Northern Ireland's rifts in the short term, Mr Brooke knows he has to woo the Unionists if he is to make headway in healing Northern Ireland's wounds.

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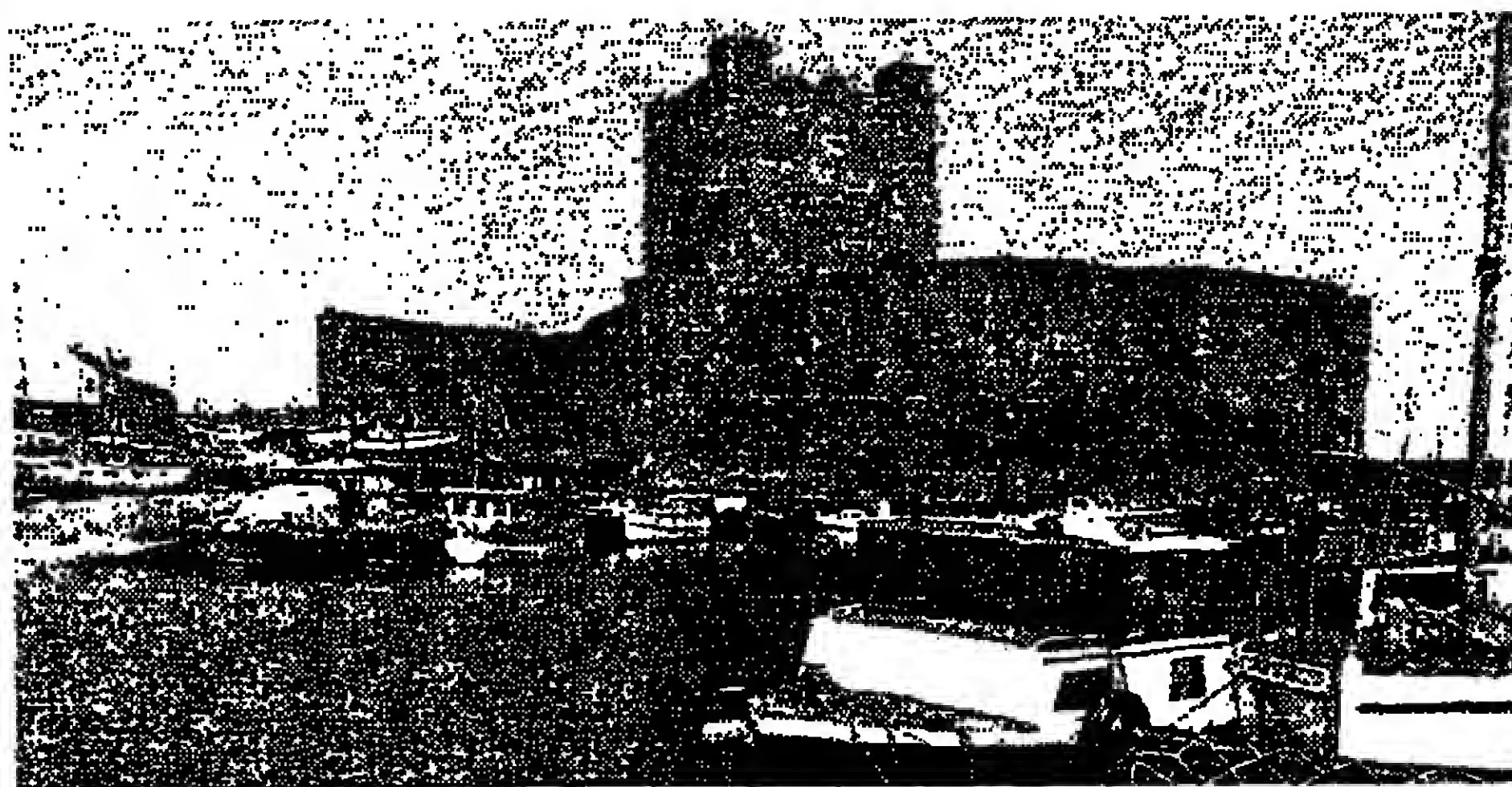
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## NORTHERN IRELAND 2



Carrickfergus Castle, Co Antrim, across the harbour: one of the province's many attractions

The new tourism chief has ambitious plans

## Grab a guide book

AFTER two decades in which Northern Ireland's best known export has been a sad image of terrorist violence, the province's tourism board is more confident than ever of its unlikely message: Northern Ireland is a good place for a holiday.

Mr Eddie Friel, a native of Londonderry, arrived as the tourist board's chief executive in September, after eight years heading Greater Glasgow's tourist board. He had transformed the Scottish city into a European city of culture, a "garden festival" city. Now he is casting a circumspect eye around his homeland.

"Northern Ireland will be a major tourism destination within the next five years," he says. "In terms of yield per visitor per head of population, we will be one of the best performing destinations."

Tourism has potential for large-scale job creation, particularly for young people. It is a fast growing industry worldwide, Northern Ireland has a unique history and culture to sell, even if it is more usually obscured behind a grisly face of modern terrorism.

Two years ago a government review set a target of a 200 per cent increase in holidaying visitors to the province by 1994. Latest figures show a 40 per cent rise in 1990 to 222,000 (although growth may have slipped this year as recession and the Gulf war curbed tourism worldwide).

The rise, albeit from a low



Eddie Friel: "The best tourism job in the world"

base, has come on relatively little investment. The tourist board's budget is £4.05m this year, more "petty cash" compared with the Northern Ireland Office's overall expenditure, acknowledges Mr Friel. It has joined with Bord Fáilte, the Irish tourist board, to promote north and south Ireland as one destination, a liaison cited by ministers as an example of cross-border co-operation.

If Northern Ireland's terrorist image can be overcome, the rewards could be much greater. Images of rioting, soldiers patrolling streets, of bomb wreckage, are powerful and long-lasting, if not unsalable. Border crossings are reminiscent of the now dismantled Berlin checkpoints. There is some curiosity value among backpackers, but it is

hardly an attraction the tourist board can promote.

Mr Friel draws on his experience in Glasgow. "It is no different from addressing the perception of a city as an industrial slum," he says. His tactics are to spearhead a public relations drive focused on persuading travel writers and travel holiday operators to see for themselves. In fact, very few visitors witness terrorist violence.

It is largely niche marketing. Northern Ireland will not be a mass tourist market. The emphasis is on attracting richer tourists for activity holidays or for specially-arranged festivals. Golf, fishing and walking are its strongest points. Mr Friel sees potential, too, for a big increase in conference trade.

But the marketing drive has to be accompanied by improvements in facilities. The tourist board wants to see more "country house" style hotels, providing high quality accommodation including conference facilities. Mr Friel's dream is a "Gleneagles style development" - a hotel of such magnificence and setting as to be an attraction in its own right. If there is the possibility of more funds from the government, Mr Friel would be a grateful recipient. "I've got exactly the job I want to have. I have got the best job in tourism in the globe. Absolutely the best," he said.

Ralph Atkins

Some Fair Employment Commission results, writes Tim Coone, are surprising

## Glass ceilings and other barriers

BREAKING down the sectarian barriers in Ulster, created through 22 years of violence, is a formidable task. Sturdy walls and iron fences have been erected between many housing estates, solid Belfast and Londonderry to separate inward-looking Protestant and Catholic communities, in an effort to maintain the peace. Armoured patrol cars cruise these border zones, on the look-out for trouble.

It may be many years yet before the walls come down, and for the people in those estates to feel they can choose freely where they would like to live.

In the workplace, however, there are signs that traditional barriers are coming down. Employer discrimination against the Catholic minority, for years the main grievance driving Ulster's troubles, is clearly on the decline, and although much still needs to be done, the government is finally coming to grips with the problem.

One of the problems in trying to draw up policy in the past has been the lack of accurate information relating to employment practices. Census data has been inadequate due to poor response on the religion question, and is produced only at ten-yearly intervals.

Earlier this year, however, the first solid statistical base on Protestant and Catholic employment was published by the Fair Employment Commission (FEC). This was a result of the 1989 Fair Employment Act (Northern Ireland) which empowered the FEC to annually monitor employment by religious background, and obliged employers to provide the necessary data. In the first phase during 1990, all enterprises employing more than 25 employees (amounting to almost 4,000 workplaces) were surveyed.

The Protestant proportion of the population in Northern Ireland is estimated at between 62 and 65 per cent of the total, and the Catholic proportion between 35 and 38 per cent. "It is likely the Catholic proportion is close to the top of the range," says the FEC report. The first survey results show that the overall composition of the workforce is 214,891 (61.4 per cent) Protestant, and

115,266 (33 per cent) Catholic, the remainder being undetermined.

According to Bob Cooper, the chairman of the FEC, the initial results were surprising in that Catholic representation in the workforce appears higher than was generally realised. He added, however, that the results are consistent with the oft-made observation that a Catholic is two and half times more likely to be unemployed than a Protestant. This is because a marginal underrepresentation of 3.5 per cent in employment figures for Catholics, shows up as a much higher unemployment rate for the smaller community.

The survey has highlighted what was known through empirical observation. In craft and skilled manual occupations, Protestants hold almost 88 per cent of jobs. The heavy engineering sectors, such as shipbuilding and aircraft manufacturing - have traditionally been Protestant reserves. Catholics tend to hold a much higher proportion of non-skilled and semi-skilled jobs, while having only around 30 per cent of managerial or professional posts.

Mr Cooper said one interesting phenomenon has been the high representation of Catholics in the computer industry and software sectors. Catholics have entered these in a big way, and it seems they have almost "jumped over" the old technology," said Mr Cooper.

The US companies included in the survey have on average 42.8 per cent Catholics in their

workforces.

Interestingly, women Catholics fare much better than men do, and in almost all occupations are adequately represented relative to their Protestant peers. The report notes, though, that part-time employees are not included in the survey, and "evidence from other sources suggests that the representation of Roman Catholic females among part-time employees may be lower than that among full-time employees."

It also notes that the lower male representation figures are influenced by the employment pattern in the security forces, "which are predominantly

Republican leaders complain that the FEC "lacks teeth"

male and Protestant".

Army and police officials point out that they have an open-door policy of recruitment, but that since the early 1970s few Catholics have shown any inclination to join the security forces. Fear pressure within the Republican communities undoubtedly plays a part.

Republican leaders complain that the FEC "lacks teeth" to actively intervene in adjusting employment levels between the two communities. Mr Cooper responds by saying that positive discrimination, as practised in the US, would in fact be of little benefit in the Northern Ireland context.

"We can make progress without it," he said. This is because the aggregate differences have come about by small levels of Catholic underrepresentation spread over many companies. Legislation to enforce positive discrimination to take Catholic representation from say 32 to 38 per cent in a 50-strong workforce could be difficult to enforce.

"In the United States reverse discrimination has only been used with effect where there is a strong underrepresentation of one sector," Mr Cooper said. He said there is "substantial segregation between plants", resulting in a large underrepresentation of either Catholics or Protestants in their workforces. Putting them together, Catholics actually have an overall 40 per cent representation.

The FEC does have powers to enforce employers to take positive action in recruitment, such as publicly advertising vacancies instead of filling them by word of mouth, as has been a traditional practice among some of the worst offenders. The FEC can also make random spot checks on companies to ensure that their monitoring returns are accurate, and can impose heavy fines on companies that do not co-operate. Only one employer in fact has refused to supply data, and was fined earlier this year.

Next January the FEC will expand its monitoring to include all workplaces with more than 10 employees, at which point it will have data

on 80 per cent of the workforce, giving a strong data base from which to formulate policy.

It is recognised, however, that a long-term solution will only begin to emerge with higher overall levels of employment. "Change cannot take place without additional recruitment... there has to be economic growth," said Mr Cooper. Some 15 per cent of the workforce is presently unemployed. "The priority must be the aim of reducing the unemployment differential," noted the FEC report.

Education also has a role. Catholic schools have tended to lean towards teaching humanities rather than science or maths. The provision of science laboratories in church-run Catholic schools is thought to be lower than in the state-run Protestant schools.

Although Northern Ireland consistently gets better A-level results than the UK mainland, a higher proportion of school-leavers have few or no qualifications on entering the workforce than in Britain. Although accurate data are not available, it is thought an economic background has an influence and that Catholics tend to fare worse in this respect than do Protestants.

As the FEC report concluded, "The Commission can help to alter the economic composition of employment in general and in the unemployment differential in particular will also require action by government."

Jim Flanagan on the electricity privatisation

## Power to the people

GOVERNMENT officials in Belfast are assessing bids from some of the world's biggest energy companies for ownership of Ulster's four power stations. This is the latest stage in a complicated process to privatise Northern Ireland's electricity industry in spite of concerted opposition from trade unions, unionist and nationalist politicians and consumer organisations which have argued that higher prices will ensue.

Nevertheless, the Government is pressing ahead with the sell-off plan, and even its most active opponents seem to have accepted there is no turning back.

Indeed, one of the companies interested in acquiring generating capacity is a management-employee-buy-out (MEBO) team. This appears to suggest that if employees cannot stop the privatisation, they intend to try to keep control of the industry in local hands.

This change in attitude has not gone unnoticed at the Department of Economic Development, which is responsible for the smooth transition to the private sector. Announcing details of the 13 companies interested in buying generating plant two months ago, Richard Needham, economy minister, singled out the MEBO option and expressed "delight" that they had thrown their hat in the ring.

The interested parties, which include several UK utilities and a number of US companies, are vying for ownership of power stations at Belfast West, Coolkeeragh in Londonderry, Ballymaginnis at Larne and Kilroot near Carrickfergus in Co Antrim. Ballymaginnis and Kilroot are by far the most modern and productive of the four and, under the terms of privatisation, will be sold to separate companies in order to ensure there is competition in the generation industry.

In producing an acceptable self-off formula, the government was determined to avoid creating a huge private sector monopoly.

Northern Ireland has no natural gas alternative, although a pipeline is under consideration, and the province remains dependent on fuel imports. Oil remains by far the predominant fuel source, firing 70 per cent of installed capacity.

The most important recent development has been the agreement reached between Scottish Power and Northern Ireland Electricity (NIE), the public utility, to build a £170m undersea electricity interconnector. The cable will be able to transmit 250 MW of power from Scotland to Northern Ireland, and will come on stream in the late 1990s. It will inject more competition into the industry in addition to the fierce competition between the various power station owners for the right to sell electricity to the supply company.

The government's white paper on privatisation underlined the benefits of interconnection, especially the access it affords to bigger, more efficient generating sets. The Scottish link will also overcome the difficulty of isolation, as the province's electric-

ity network is not currently linked to any other grids. An interconnector with the Republic of Ireland, was in operation in the 1970s but has been out of service since 1975 as a result of being constantly targeted by the IRA.

The government is known to be keen on restoring the Irish link, and discussions are going on about its viability.

Inter-connection has many advantages. The amount of generation plant kept on standby by both systems can be reduced, the diversity of

The Scottish interconnector has strategic implications for overall planning

fuel sources available to both systems may be increased, and there may be opportunities for profitable trading of electricity between the systems at particular times of the day or year.

The Scottish interconnector has important strategic implications for overall generation planning, and the government has now said that Kilroot power station will not necessarily be operated by its new owners. Kilroot was finished in 1982 and was designed as a 1,200 MW plant consisting of four 300MW oil-fired units. Spiralling oil prices in the late 1970s meant that only two units were installed, and they

have since been converted to run on either coal or oil.

The other units have been mothballed ever since, but it had been thought the power station would be completed. However, decisions on the reduction in levels of atmospheric emissions demanded by EC legislation has implications for Northern Ireland power stations.

NIE has been assessing the most economic ways of meeting the proportion of reductions required of the province, including the importation of relatively clean natural gas. British Gas is one of the companies expressing an interest in owning generation capacity.

It is anticipated that the owners of the power stations will be selected by next March. They will be selling electricity to a new transmission, distribution and supply company, initially owned by NIE but to be the subject of a public flotation in November next year.

Under the sell-off plan, the monopoly transmission and distribution business has been separated from the competitive generation business. The new transmission company will have a statutory duty to operate the system in such a way as to facilitate competition in generation and supply. A further factor influencing future generation policy in Ulster concerns the timing of exploitation of the vast quantities of lignite or brown coal

found in the province. While environmentalists are certain to object, it seems likely that this rich source of indigenous fuel, which has been discovered in abundant quantities in Co Antrim, will be tapped eventually. Two international consortia have already carried out a meticulous appraisal and are convinced of the viability of lignite-fired generation.

Whoever gains control of Ulster's electricity industry will be taking control of a utility which has moved from being heavily reliant on sub-

Consumers will judge privatisation on one simple calculation - the size of their bill

stantial government subsidies to a state of modest profitability. Since NIE first moved into the black in 1987, performance has steadily improved and pre-tax profits grew to £24.1m last year.

Mr Needham told the Commons Energy Select Committee recently that the sell-off would not lead to increases in the real cost of electricity. But while the entire privatisation process may have been particularly tough nut to crack for the government, 600,000 consumers will judge its merits on one simple calculation - the size of their quarterly bill.

## BANKING

## Village days are over

ONE of the most significant local business deals this year took everyone by surprise. The boards of Allied Irish Bank and the TSB announced the merger of their Northern Ireland operations, thereby creating a new force in Ulster banking circles.

The £111m deal will ultimately produce a bank which employs more than 1,400, has 101 branches, and 97 automated teller machines. The acquisition of TSB Northern Ireland by AIB is the most significant development for years.

It is only in recent years that Northern Ireland banks have matched those in Britain in terms of customer orientated services. Lunch-time opening is a relatively recent phenomenon, and interest-bearing cheque accounts only became standard after the Bank of Ireland blazed the trail.

But there is no doubt that all the province's clearing banks are adopting more aggressive marketing policies as competition, particularly from market orientated building societies, increases. Banking is in a reasonably healthy state if competition is a benchmark. Apart from the merged AIB and TSB, the three other main clearing banks are the Northern, owned by National Australia; the Ulster Bank, a wholly owned subsidiary of National Westminster; and the Bank of Ireland. With well over 300 branches between them, private and corporate clients are well catered for, and

with a multiple presence in every town, competition is fierce.

Mr Alasdair MacLaughlin, secretary of the Northern Ireland Bankers' Association, said: "New internal developments over the last decade have lent great strength and choice for customers in treasury, investments and mortgage."

"But the external linkages of all the banks ensures that consumer choice is at international standard."

There is a degree of disagreement between the banks and government over some recent issues. "For example, government is winding down the

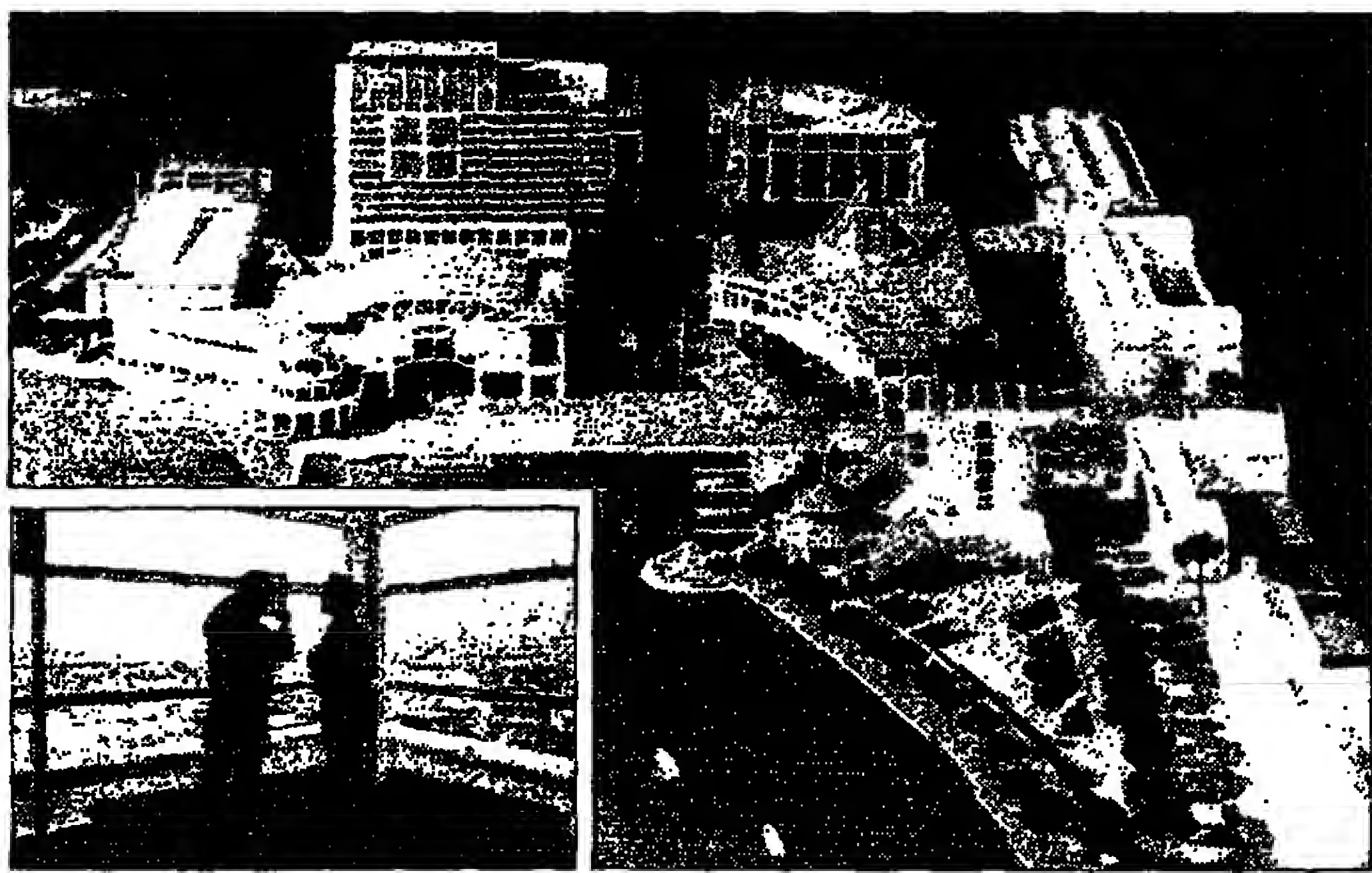
availability of industrial grants and sees, mistakenly at least in part, the banks quickly stepping in to fill the gap," Mr MacLaughlin said.

Other specific issues need to be addressed, including security, money laundering and terrorism. Mr MacLaughlin said: "Many believe that the only basis for a real solution to Northern Ireland's unrest is the removal of the waste of unemployment from which new political structures can emerge."

"It is a fair bet that banks and bankers will be at the centre of these debates."

Jim Flanagan

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## NORTHERN IRELAND 3

Resilient but weak; booming but in decline? The solutions are elusive, writes Tim Coone

## An economy of contradictions

AN EVENING stroll through Belfast's city centre is akin to walking into a scene of an Orwellian book. The echo of one's footsteps reverberates off the steel-shuttered windows of the shopping malls. A pair of bored teenagers play at raising and lowering an unmanned security barrier, then kick a tin can in pursuit of a stray cat. Two armoured cars cruise past in the distance. Poking out of their tops, pairs of soldiers cradle their night-sighted rifles and warily eye the few passers-by. All is quiet.

The daytime contrast is total. The bustle of shoppers and the throng of traffic could lead one to think that Ulster is approaching its last Christmas. For most people, the "troubles" that make the TV and newspaper headlines rarely intrude on the daily routine. Traffic accidents kill more people than bombs or bullets every year.

The views one receives on Northern Ireland's economy are as contrasting as night and day in downtown Belfast: resilient but weak; booming but in decline. The truth, as always, is somewhere in between.

The recession has not gouged Northern Ireland so deeply as it has the rest of the UK. Unemployment, at 14.5 per cent, almost twice the national average, has grown only 1 per cent in the past year against



Working on a strategy: For the first time in 15 years, Nationalists and Unionists came to the negotiating table this year. Pictured: Ian Paisley in vigorous mood in June

2.5 per cent in the UK. Dun and Bradstreet report a 27 per cent increase in business collapses so far this year, compared to 1990, but this is substantially lower than the average Great Britain increase of 71 per cent.

The two factors that have cushioned the recession's impact are public sector spending and lower house prices in Northern Ireland. Some 63 per cent of the province's GNP is made up by public sector spending, and 40 per cent of the workforce is employed in the public sector - double the UK average. Outstanding mortgages are on average £15,000, almost half those on the main-

land, while wage levels are similar to those elsewhere in the UK. Personal disposal incomes are therefore substantially higher.

It should not be surprising, then, that retailing is now one of the fastest growing areas of the Ulster economy. Big retail chain stores have now overtaken traditional engineering firms such as Harland and Wolff, the shipbuilders, and Short's, the aviation company, as the biggest employers in the province. Harland and Wolff, however, has been buoyed by a return to profitability this year and a £225m order for six bulk carriers, which will keep the

shipyard busy until 1995.

These successes, together with renovation work taking place in Belfast's inner city, such as the new Lagan side dock development plan, with investment potential of £700m, underpin the infectious optimism of Mr Richard Needham, the minister of the economy. He dismisses a forecast made by the Northern Ireland Economic Research Centre (NIERC) of a chronic unemployment level of 15 per cent stretching well into the mid-1990s as "disgraceful" pessimism.

A couple of years ago they were predicting that unemploy-

ment levels would be close to 20 per cent, but have had to revise their forecasts downwards," he said. A revised industrial policy, with a shift in emphasis from job creation to competitive efficiency, will now lay the basis for sustained growth in the province, he said. Grant aid and subsidies from the Industrial Development Board (IDB) will no longer be assessed on job creation potential alone. "We should spend a lot more on training, research and development, marketing and management education. Selling of the product will be the key to our success ... We are going to back winners," he said. With such an approach, he believes it is feasible to achieve a private sector growth rate of 6 to 7 per cent a year.

This shift in policy has in part been due to sustained criticism from bodies such as the NIERC, the Confederation of British Industry (CBI) and the Northern Ireland Economic Council (NIEC). Dr Graham Gudgin, a Cambridge-school economist who heads the NIERC, while welcoming the changes, believes they will be slow to work through the system. He said a similar change in philosophy at the IDA, the IDB's counterpart in the Republic of Ireland, took seven years to become reality. He said institutional inertia, combined with Northern Ireland's population growth rate (the highest in the UK), and the IDB's counter-growth in the UK economy as a whole, implies that "unemployment (in Northern Ireland) is forecast to continue rising from now on through most of the current decade".

A report published by the NIERC earlier this year notes: "The proposed industrial reforms are likely to do little to accelerate economic growth at least until mid-decade, irrespective of how investment is financed."

Mr Michael Smyth, who heads the department of applied economics at the University of Ulster, says of government policy: "It is equivalent to treading water ... With a government philosophically committed to market-driven change, it is difficult to think of a strategy emerging." He believes greater autonomy

needs to be given to Ulster to run its own affairs, a view shared by the NIEC which, in a report published earlier this year, stated: "For Northern Ireland to seek to grow much faster than the national economy ... means the province must have freedom to order its affairs in ways which may differ fundamentally from the practice elsewhere in the UK."

How this may come about though, in the present climate of political inertia, is difficult to foresee. As the single market looms on the horizon, there is both hope and apprehension. Nigel Kennedy, until recently the head of the EC Commission office in Belfast, said: "There is a very small number of large firms that are very good and have prepared themselves. Small industries, though, have little idea what they will do. They lack resources, and are approaching it with their fingers crossed." He said the political culture in the north has largely ignored Europe, and that unlike in the Irish Republic, there has been little public debate about market integration.

The IDB sees one of its main roles is to now focus its support on those industries capable of surviving in the wider market. It has recently opened an office in Brussels to promote inward investment and trade with the province, and is offering training and marketing support.

Frank Hewitt, a senior IDB executive, said the province offers a good communications infrastructure and the skills to attract high value-added manufacturing industries and information technology-related services. The principal problem to new inward investment, though, remains that of image. "We could wipe the floor with the competition if we didn't have the troubles," he lamented.

Northern Ireland's economy is thus surviving the internal and external pressures weighing upon it, but whether it can adapt and grow quickly enough to address the chronic problem of unemployment and the changing world outside the province, is a question that many consider can only be answered in the political arena.

Ralph Atkins speaks to Richard Needham

## The old hand at the NIO

MR RICHARD NEEDHAM, who this summer became the longest serving minister ever at the Northern Ireland Office, is a monument to the longevity of the "troubles" - and the lowering of expectations about a political settlement.

Supposedly temporary "direct rule" from Westminster looks as permanent as ever as Mr Needham, the 49-year-old economy minister, enters his seventh year at the NIO.

Like most observers, he accepts that the early establishment of a devolved administration with cross-community support is unlikely. He believes, too, that even if a deal could be struck, he would not be out of a job.

"Whatever happens, there will still be a need for British ministers in some positions for a very considerable time yet," he says. It is hard to imagine a locally-elected politician being given responsibility for security, for example.

He is known best at Westminster for having had terrorists intercept a car telephone call to his wife in the last days of Margaret Thatcher's prime ministership, in which he allegedly said he wished the "cow would resign".

With the survival ability of a true politician, he weathered the storm.



The public relation man's politician: Richard Needham

But he is better known in the province for energetically unswerving job creating projects around the province, whipping up support for the government's economic policy, at question time - in the Commons. He is subject also to "trial by media".

But unlike other departments, there is no Northern Ireland select committee at the Commons. Debates at Westminster on Northern Ireland

are usually late at night, and with little scope for amending government decisions. "The very fact that you are vice-regal means that if you don't have an empathy with the people of Northern Ireland, you can very quickly become unpopular and very quickly you get removed," he says in defence.

Perhaps if locally-elected politicians had more responsibility, electricity privatisation would not have gone ahead: Mr Needham has succeeded in uniting all parties against his proposals. But he denies he had an easy ride. "No, and in the end I have won the argument."

More troublesome could be the newly established Conservative associations in the province. He enthusiastically backed their setting up - even though, like most of the unionist population, they are unenthusiastic about the 1985 Anglo-Irish Agreement and often prefer integration with the rest of the UK to devolution.

Mr Needham insists he wants to stay in Northern Ireland. With his schoolboy-like ebullience, it is difficult to believe he is not genuine. "I have never hidden my ambition to one day be Secretary of State for Northern Ireland," he admits.

Farmers will need extra resilience, writes Michael Drake

## Gloom over rural fields

ULSTER farmers, long noted for their resilience in the face of adversity, will need all their skills to survive in the future.

During the past year a plethora of problems has meant they have to contend with everything from crashing incomes to the disposal of fallen animals. The MacSharry proposals for the reform of the Common Agricultural Policy have done nothing to encourage the industry to think of brighter days ahead.

Total farm income in Northern Ireland during the past year is said to have dropped by 20 per cent, to around £170m. This has been blamed on poor prices.

The value of capital investment increased by 5 per cent to £141m. There was little increase in investment in plant and machinery, but there was a 7 per cent increase, to £84.4m, in buildings and works capital formation. This is due to a doubling of expenditure under the Northern Ireland Agricultural Development Programme, reopened two years ago, and to increased expenditure under the Farm and Conservation Grant Scheme started in 1989.

In the last financial year, the Milk Marketing Board (MMB) paid out more than £200m to some 6,500 dairy producers in a sector which also provides employment beyond the farm gate for another 5,000 people.

But the scene has been soured by EC mandarins delaying notification of the milk quota for the marketing year. It was a full six months into the year before farmers in Northern Ireland were told they would have to cut production by 2.85 per cent. With the memory still fresh of the consequences of over-production a year ago - a bill of £1.5m in superlevy - they are far from

happy. MMB chief Robin Morrow has condemned the delay as unacceptable, and has called on EC agricultural ministers and government departments to change it. "We want more timely decisions and a simplification of the operation of the milk quota system," he said. He pointed out that producers who do not receive compensation will now be producing 20

per cent less milk than they were in 1984, before the introduction of the quota system. Norman Shaw, a past president of the Ulster Farmers Union, wants the Northern Ireland dairy industry to adopt an American philosophy to safeguard its future.

Mr Shaw, now chairman of Lockpatrick Holdings, one of Northern Ireland's leading dairy companies, relates how American dairy farmers raised \$200m a year through levy and devoted it all to generic advertising.

The result was a 42 per cent increase in cheese consumption, a 7 per cent rise in liquid milk sales, and a jump of 3 per cent in butter sales.

"If such an effort is not made soon, or is not successful, then the changing political climate will inevitably mean we will



Robin Morrow, MMB chief



Norman Shaw, dairy leader

encephalopathy continuing to take its toll on confidence. It was a year, too, in which EC intervention stores, which took 40 per cent of the beef produced in Northern Ireland, were identified as being by far the cattle farmers' best customer.

Intervention, owing to its profitability when compared with the commercial market, attracted 88,000 tonnes of beef to the cold store, when in fact only 12,000 tonnes had been envisaged.

Says Northern Ireland Livestock Marketing Commission chairman, John Millar: "It is an adulteration of top quality beef to consign it to intervention for freezing, because frozen beef is always discounted against fresh."

A measure of market distortion can be gleaned from the

fact that in only two weeks of the year were deadweight steer prices in Great Britain above those in Northern Ireland; in only one week were Great Britain's beef prices better. Usually Britain has the higher prices for most weeks of the year.

Not that the Northern Ireland prices were strong; they were sufficiently weak to make the province eligible for safety net intervention from June 1990 until March of this year. The number of cattle imported from the Republic of Ireland was the lowest in nine years, and at 82,000, was down 25 per cent on the previous year.

The traditional British market claimed 29 per cent of the carcass beef produced, and other EC and Third Countries took 16 per cent. The province's home market took 15 per cent, but it was intervention that provided the biggest outlet - 40 per cent.

Concern for the wholesomeness of Northern Ireland beef products caused one supermarket chain to approach the Livestock Marketing Commission about the possibility of guaranteeing beef from the province.

This has led to the creation of a Farm Quality Assured scheme, which to date has attracted a membership of around 400 farmers.

The use of the drug Clenbuterol - better known to the farming community as "Angel Dust" - has focused attention sharply on all beef produced in Ireland.

Tough action by state authorities on both sides of the border has been taken in recent months, with several farmers being successfully prosecuted in courts.

The Northern Ireland Master

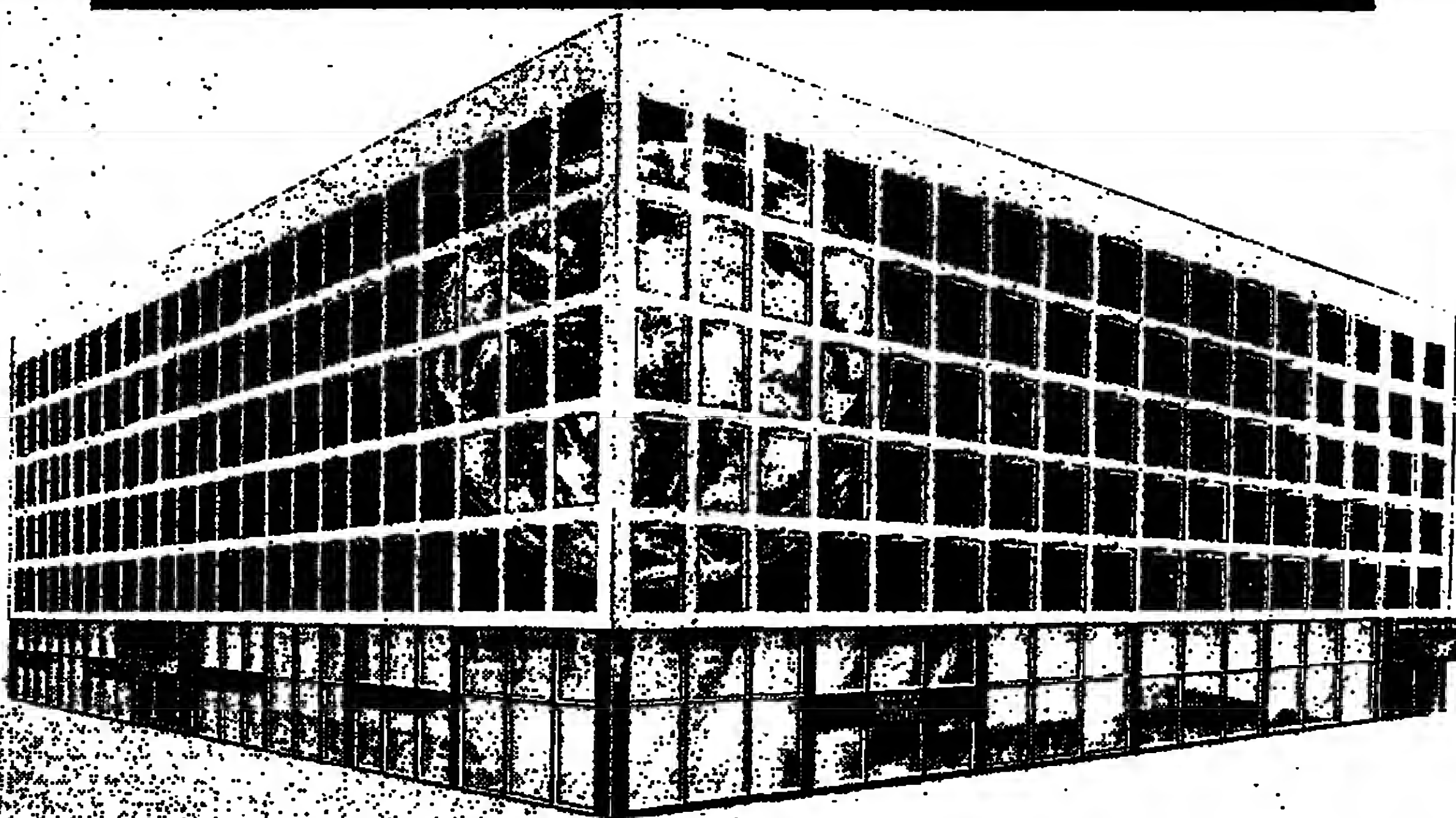
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## KEY FACTS

	Northern Ireland	UK
Area (sq km).....	13,483	242,520
Population (thousands, 1990).....	1,589	57,411
Population density (persons per sq km).....	117.8	236.7
Population growth (1981-90).....	3.3%	1.9%
Age structure (1990)		
below 16 years.....	26.5%	20.3%
above pension age.....	14.5%	18.2%
Live births per 1000 (1990).....	16.7	13.9
% of live births outside marriage (1990).....	18.5	27.9
Deaths per 1000 (1990).....	9.7	11.2
GDP (1989, £m).....	9,116	438,774
GDP per head (1989, £).....	5,758	7,666
Employment structure (1990)		
Agriculture, energy & water.....	5.1%	3.3%
Manufacturing.....	18.8%	22.4%
Construction.....	4.7%	4.5%
Distribution & transport.....	21.7%	26.0%
Banking, finance etc.....	6.5%	12.5%
Public admin & other services.....	42.2%	31.5%
Unemployment (Oct 1991, % of workforce).....	14.2	8.7
Personal disposable income index (1989).....	85.8	100.0
Earnings (average gross full-time, 1990)		
Men.....	£253.50pw	£286.60pw
Women.....	£180.60pw	£201.50pw
Education (1990)		
Pupil/teacher ratio: primary.....	23.2	21.8
Pupil/teacher ratio: secondary.....	14.9	14.9
NHS staff per 10,000 (1988).....	240.3	189.8
Owner occupation as % of housing stock.....	64%	67%
Building society borrowers average dwelling price (1990).....	£31,849	£59,785
Index of dwelling prices (1990, 1985 = 100).....	131	199
Cars per 1000 (1988).....	281	355
Durable goods ownership (1988) - % of households in sample having:		
Microwave oven.....	25	35*
Telephone.....	74	84*
Video recorder.....	37	49*
Deep freezer.....	55	75*

\* Great Britain  
Source: CSO Regional Trends 1991, Employment Gazette, OFCS

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## NORTHERN IRELAND 4

Tim Coone examines the tragedy of 'the troubles'

## A difficult war to win

STONE towers dot the Irish landscape. Relics of a bygone age, they were built to keep watch over the movements of rebellious armies and to provide places of refuge.

In southern Armagh, in northern Ireland, scaffolding surrounds a new steel and concrete tower being built by the British Army. One of three new observation towers rising along the border with the Irish Republic, it seems that military architecture has changed little over the centuries.

The technology and the nature of the warfare has, however, changed beyond all recognition.

The Irish Republican Army (IRA), a dedicated and ruthless band of some 400-500 paramilitaries operating in small cells known as active service units, have at their disposal some of the most sophisticated weaponry on the arms market, largely a result of Libyan largesse.

By military means, they seek to wear down British government resolve to maintain Northern Ireland as part of the United Kingdom.

Even though their aspiration of a united Ireland is increasingly seen south of the border as an anachronistic and unrealistic goal, there is little indication they have any intention of stopping their campaign.

The security forces - numbering almost 30,000, including regular British army troops, the Ulster Defence Regiment,

and the Royal Ulster Constabulary (RUC) - have the task of trying to defeat what they acknowledge is one of the best-trained guerrilla organisations in the world today, without stepping beyond the bounds set by the laws of a democratic society.

They also have at their disposal the most sophisticated weaponry available to a modern army, such as helicopters, advanced telecommunications, night vision instruments and

**The 22-year war has been characterised by constant adaptation**

sensitive listening devices, backed up by comprehensive computer databases to collate thousands of items of intelligence on IRA suspects and operations.

It was once assumed that a successful counter-insurgency campaign required a ratio of 10 troops to every guerrilla. In Northern Ireland that ratio is closer to 100.

The IRA has the tactical advantage. They can pick and choose their targets. Meticu-

lous planning, combined with a constant shifting of tactics, keeps the security forces on the defensive. Unless IRA suspects are caught in the act, little can be done to put them behind bars.

In an apparent effort to minimise their own operational losses, the IRA has increasingly struck at "soft" targets: an off-duty RUC officer is gunned down outside his home; a bomb is detonated in the military wing of a hospital; military handmen are blown up on the mainland.

The 22-year-long war of attrition has been characterised by a constant cycle of adaptation. As the security forces improved their intelligence gathering, so the IRA developed a tighter-knit cell structure and trained their members how to resist interrogation.

As the army equipped its troops with armoured vehicles, the IRA obtained and even built its own armour-piercing weapons. Even simple devices, such as a coffee jar filled with the highly-destructive Semtex explosive, can destroy an armoured car if it is lobbed accurately enough.

As the army turned increasingly towards the use of helicopters to move its troops in southern Armagh, due to the threat to vehicles from hedge-row or culvert bombs, the IRA can now field surface-to-air missiles.

Another simple but much-feared device, the truck-mounted mortar, welded together in a farm or car workshop, simple metal pipes are converted into multiple mortars. Mounted on a stolen truck, and pointed at a police station or military barracks, they are fired by remote-control and have been used with devastating effect.

Such a weapon was used to attack 10 Downing Street earlier this year. Somewhat inaccurate, they are equally as lethal to the civilian population living close to such targets.

Other targets of the IRA have been civilian firms supplying goods and services to the security forces. Construction firms, wholesalers, and shops have had their premises burnt down, and their managers and owners have been threatened and in some cases murdered.

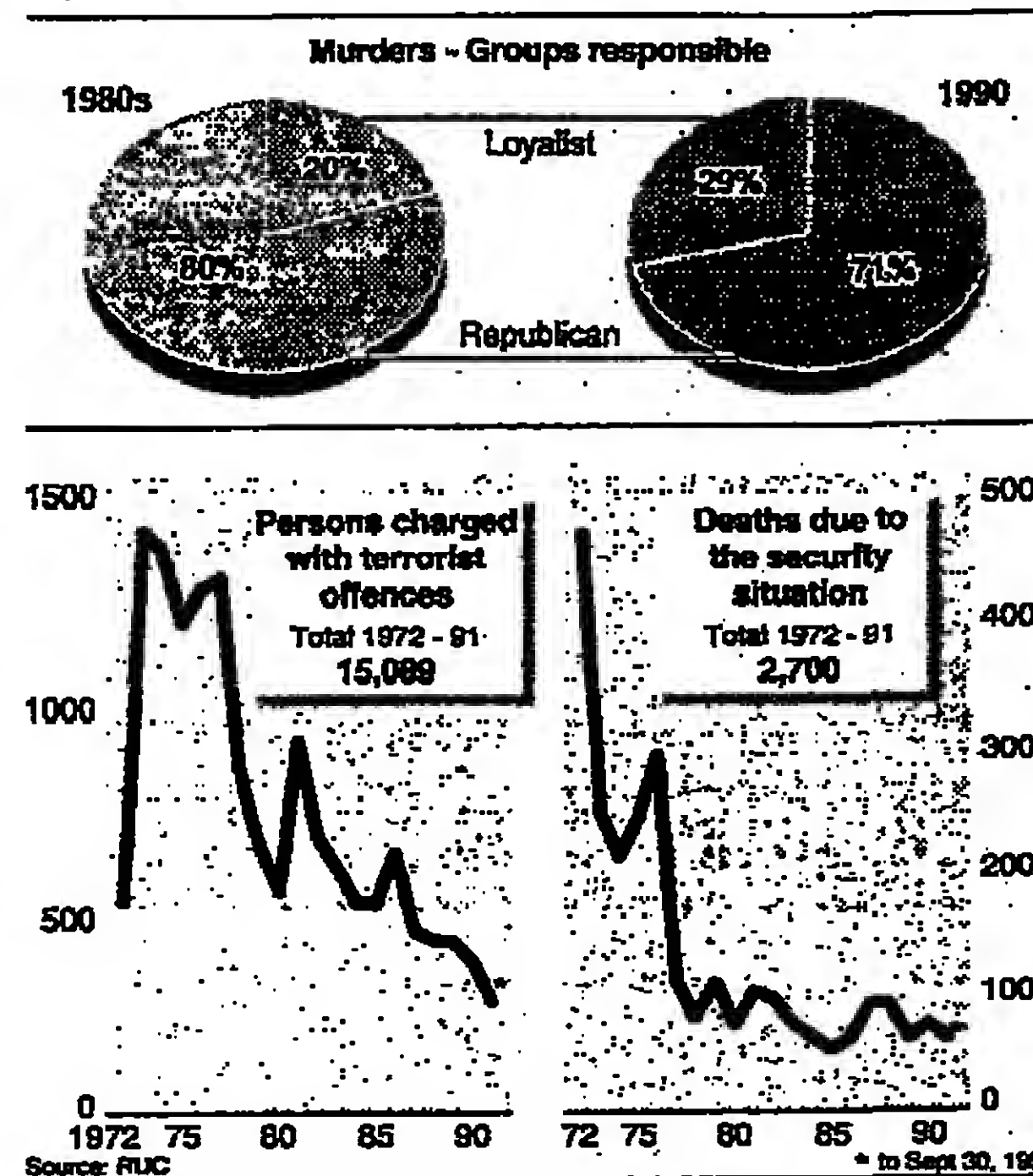
Incendiary bombs, small enough to fit inside a cigarette packet, have been sufficient to cause blazes. Car bombs triggered by small mercury switches and a torch battery continue to be a weapon against unsuspecting individuals.

Army public relations exercises, such as "fun-runs" and concerts by military bands, are on the list of IRA "legitimate targets", regardless of the inevitable loss of civilian life.

Faced with such a wide range of weapons and potential targets to defend, and the increasing activity of Loyalist paramilitaries, the security forces clearly cannot hope to do more than contain the violence.

The *modus operandi* of security operations in the north fall into three main areas: border security, to prevent cross-border infiltration of weapons and explosives; random spot-checks of vehicles within the province; and street and countryside patrols. These are aimed at constraining the free movement of weapons and explosives but require the costly deployment of large numbers of police and troops and can

## Terrorism



have an adverse effect if day-to-day life is overly disrupted.

Accurate intelligence remains the key factor in the successful breaking of IRA and Loyalist paramilitary cells, but this depends to a large measure on the public at large

coming forward with information. Fear of paramilitary reprisals restricts many. RUC Chief Constable Hugh Annesley recently said that four out of five IRA operations are thwarted as a result of these patrols and intelligence work. A total of 325 IRA sus-

pects have been charged this year, 179 firearms and 1.9 tons of explosives were seized in 1990. None the less, the figures show no upward trend over the past decade, and security officials say the IRA has the capacity to continue its current level of activity until the end of the decade.

Interment without trial is increasingly being viewed as the short-term solution to breaking the IRA's operational capability. Arresting the known ringleaders and quelling the number of bombings and shootings. It is a high-risk strategy, though, and opponents of such a policy point to the huge upsurge of violence in the early 1970s which accompanied the introduction of internment then.

The danger is that the IRA has already planned its response. "Sleeper cells" containing IRA members with no police record could be put into action. A mainland bombing campaign could not be ruled out. It could also cause an upsurge of support for the IRA in Republican communities, and would do little to enhance Anglo-Irish relations, which are viewed as vital to achieving a political solution to the Northern Ireland problem.

There is no easy solution to the violence in Ulster. A military one must seem as distant to politicians now, as it must have to those who build the stone towers in centuries past.

Vanessa Houlder on the paradox in the property market

## A problem with perception

NORTHERN IRISH property has been noted for two seemingly paradoxical characteristics: its unpopularity with investors, and its place at the top of the performance tables.

The troubles have long deterred institutional investors. Less than half a per cent of UK portfolios are devoted to Northern Ireland, even though the province accounts for 2 per cent of the UK's GDP.

However, those that invested in the province have prospered. Apart from 1987 and 1988, property in Northern Ireland consistently outperformed throughout the decade. The average annual return during the 1980s was 17.5 per cent, compared with a UK average of 11.2 per cent, according to Investment Prop-

erty Databank, a research body. Even last year, when property in virtually every other part of the UK earned negative returns, total returns grew in Northern Ireland by 9 per cent.

For much of the 1980s, the reluctance of investors necessitated generous returns. In the early part of the decade, few mainland investors were prepared to invest in an area beset by its bullets and bombs, even though any loss due to terrorism is guaranteed by the Northern Ireland office. As a result, properties secured high initial yields, which generated high income and above-average returns.

Shop owners did particularly well, with returns of nearly 20 per cent in the

1980s, eight percentage points above the average for the UK. Rents were boosted by a resurgence in retailing as UK retailers, which had previously been under-represented, moved into the province.

In the second half of the decade, the combination of high yields and strong retail growth stimulated more interest from institutional investors, boosting capital values.

This trend has flattened out as investors have been deflected by the recession and the fall in prices on the mainland. In addition, prospects have been affected by a spate of developments. Over the last couple of years, the Castlecourt Centre, completed in 1990, the Kennedy Centre and the Yorkgate centre have

added nearly 700,000 sq ft of new floor space.

Like the rest of UK, this new space is coming on stream at a time when consumer spending has fallen. Even though Northern Ireland's emphasis on the public sector has helped it

escape the worst of the recession, the Northern Ireland Economic Research Centre estimates that consumer spending in Northern Ireland fell by 1.5 per cent in 1990 and will fall again by 1.3 per cent in 1991. Growth will resume at 2.5 per cent a year, in line with the UK average from 1992 onwards, it predicts.

The result of increased supply and a fall in spending has been rising vacancy rates. According to Mr Keith Shiels of Lambert Smith Hampton,

chartered surveyors, the new Castlecourt shopping centre has drawn business away from secondary locations, leaving many as eight boarded-up shops per street in the worst-hit areas.

The office sector, too, has experienced a flurry of development, spurred by a substantial rise in rental values in 1989 and 1990. The office buildings recently completed or due for completion this year include the Abercorn Centre (150,000 sq ft), the Great Northern Centre (100,000 sq ft) and The Plaza (73,000 sq ft).

But the Belfast office market is fairly resilient compared with the mainland. The public sector continues to have an appetite for space, fuelled by the relocation of government offices out of Stormont. It is in process of acquiring 400,000 sq ft of space, much of which will be needed by the Department of the Environment. "There is a lot of talk about oversupply but there is not as big a problem as people think there is," says Mr Shiels.



Over the last couple of years, new developments at Castlecourt, Kennedy and Yorkgate (pictured) have added nearly 700,000 sq ft of retail floor space

The wild card in the Belfast property market is the Laganbank project, which is now in the hands of a consortium that is seeking funding. This is a 210m development on a 14.5 acre site on the bank of the River Lagan near the city centre's proposed conference centre, which has been earmarked for a hotel, specialty shopping, offices and car parking.

This project is part of an ambitious scheme to redevelop 120 acres of land along 1 1/2 miles of the River Lagan. The Laganbank Corporation hopes

that a new weir which will regulate water flow and improve the appearance of the river, some riverside walkways and a new road and rail bridge will act as a catalyst.

A particular problem it faces is how to overcome the barrier between the centre of the city and the river that is presented by the heavily fortified law courts. "It is like having Fort Knox between the city centre and Laganbank," says a sceptic. Nonetheless, the riverside site should attract occupants and any oversupply of offices will be taken up by the time

the new project comes on stream in three years' time. "I think the prospects for Laganbank are quite good," says Mr Shiels.

The Laganbank project is the first plank of the Laganbank Corporation's attempt to turn a derelict industrial backland into an attractive waterfront location where people want to live and work. If it succeeds, it will have gone some way to achieving its underlying ambition, which is to change the way people see this part of the city, and ultimately the city as a whole.

Jim Flanagan looks at two companies bucking the recession

## Happily in the black

AS RISING unemployment figures suggest, Northern Ireland has not been immune from the national recession. Two of the province's best known manufacturing companies are among those which have bucked the general trend. As well as making a profit on its shipyard operations for the first time since privatisation, Harland and Wolff, the Belfast shipbuilder, also secured its largest ever contract in the face of fierce competition from the Far East.

Near neighbours Short Brothers, the aircraft and missiles manufacturer, was also in the black, and for the first time in years was profitable enough to pay a dividend on its shares. For shipyard chairman John Pater and his management team, the financial performance in the first six months of the year provides encouragement that they are on the right track.

The company made a pre-tax profit of \$6.6m on a turnover of \$13m. Most of the surplus, \$6.2m, was made by interest on cash balances held, but significantly, Harland also made \$400,000 on its diverse

operations, including shipbuilding, ship repair, electrical and technical services.

Employment at the yard has bottomed out at around 2,300, and the company, privatised in a management-employee buy-out two years ago, is positive about long-term prospects. The most important development has been winning a \$223m order to build six ships, the biggest merchant shipping

success is a lesson for the doubters who wondered whether it could survive as a private yard.

The importance is that it puts the company firmly on the world shipbuilding map and demonstrates that as a leaner more efficient company, it can take on the mighty Japanese and Koreans and win. In some ways, Short Brothers, Ulster's largest pri-

held since privatisation. A dividend of 28m was paid to Bombardier.

However such earnings from cash balances will be a declining element as money is allocated to a \$200m modernisation programme and to cover losses on existing contracts.

One of the most important factors in the privatisation of Short's, and one which made it attractive in spite of the financial difficulties, was its slim order book, the equivalent of about four years' work.

Employment actually rose from just under 8,000 to almost 9,000 after the sell-off, and the figure is now around 8,500. Management is continuing to pursue an aggressive marketing strategy.

Current workload includes the fuselage sections for the Canadian regional jet, wings for the Fokker F-100, Boeing contracts, and the Tucano aircraft for the RAF.

But the company is also having to deal with some particular problems. Fair employment practices are under fire, and the IRA continue to target the company because of its work on MoD contracts.

**Winning the contract shows that the local yard, as a leaner company, can take on the mighty Japanese and Koreans - and win**

order ever placed in a UK yard.

The six bulk carriers will be built to the company's own standards in Belfast and should safeguard employment to the year 1995. Three are being built for UK shipowner, Cenargo International, and the others are for the Hong Kong-based China Navigation Company, a subsidiary of the British shipping company John Swire and Sons.

Winning the order is one thing - making it profitable quite another, but Harland's

vate employer with 8,000 workers, has mirrored Harland in terms of developments in recent years.

It too was privatised two years ago, and sold to Bombardier, the Canadian transportation group. Like Harland, the company's activities have been reorganised and separate business divisions established.

In the year to January 31, the company made a pre-tax profit of \$26.5m, almost wholly attributable to interest received on large cash reserves

his appearance as EC farm commissioner, however, he has become something of a bogeyman to those who work the land.

While few would admit it, and certainly not John Gummer, the UK minister of agriculture, the man known as "Mac the Knife" could be the salvation of many of them.

With three agriculture ministers in the past year and the prospects of losing the present incumbent, Jeremy Hanley, now quite a popular figure on the farm scene, farmers' leaders are looking forward to having someone more permanent involved in the country's biggest industry.

It is not that they doubt his ability to look after their interests, rather that as he is also health minister, his attention is divided.

And when he has a spare moment he also has to do the hat he wears as the recently appointed Minister for Rural Development.

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Tuesday November 26 1991

**INSIDE**

**Japanese trust banks report falls in profits**

Japan's seven trust banks reported sharp falls in non-consolidated pre-tax profits for the first half to September because of reduced profit margins and commission revenue due to the sluggish property and stock markets. The combined pre-tax profit for the seven banks fell 22.3 per cent from a year ago to ¥154.2bn (\$1.18bn). Page 23

**Hard times for UK textiles**

Falling sales and tight margins in the UK and US depressed first-half profits at Dawson International, the textiles and clothing group, best known for its Pringle and Ballantyne luxury clothing brands. Mr Ronald Miller (left), chairman, said: "For the rest of the current financial year it is expected that trading conditions will remain difficult." The state of the UK business in particular was "unlikely to improve significantly in the short term." Page 28

**Country goes to town**

From next Sunday to Thursday the London Underground railway system will be invaded by farmers with healthy complexions and bearded suits as they travel to and from the exhibition halls of Earls Court and the Royal Smithfield Show. But attendance has slipped in recent years, due to the depressed state of UK agriculture. Into this troubled environment a few days ago the government launched its plans for agriculture. Page 30

**Arriving on time**

Delta Air Lines expects to complete the third phase of its complex transaction with Pan American Airlines, the bankrupt US carrier, on schedule. The deal involves the acquisition of a 45 per cent stake in a reorganised Pan Am, based in Miami, and concentrating on Pan Am's traditionally profitable Latin American network. Although Mr Thomas Roock, Delta's chief financial officer, conceded that the Pan Am deal "was easily the most complicated transaction I have dealt with", the agreement was on course. Page 24

**Europe depresses the world**

European performance, or the lack of it, depressed the FT-Actuaries World Indices last week. France has been the critics' choice among European markets this year, but it has subsided since October, and particularly last week. Back Page

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**Chief price changes yesterday**

FRANKFURT (DM)		LONDON (Pence)	
Frankfurt 911	-21	Frankfurt 911	-21
Frankfurt 912	-19	Frankfurt 912	-19
Frankfurt 913	-18	Frankfurt 913	-18
Frankfurt 914	-17	Frankfurt 914	-17
Frankfurt 915	-16	Frankfurt 915	-16
Frankfurt 916	-15	Frankfurt 916	-15
Frankfurt 917	-14	Frankfurt 917	-14
Frankfurt 918	-13	Frankfurt 918	-13
Frankfurt 919	-12	Frankfurt 919	-12
Frankfurt 920	-11	Frankfurt 920	-11
Frankfurt 921	-10	Frankfurt 921	-10
Frankfurt 922	-9	Frankfurt 922	-9
Frankfurt 923	-8	Frankfurt 923	-8
Frankfurt 924	-7	Frankfurt 924	-7
Frankfurt 925	-6	Frankfurt 925	-6
Frankfurt 926	-5	Frankfurt 926	-5
Frankfurt 927	-4	Frankfurt 927	-4
Frankfurt 928	-3	Frankfurt 928	-3
Frankfurt 929	-2	Frankfurt 929	-2
Frankfurt 930	-1	Frankfurt 930	-1
Frankfurt 931	0	Frankfurt 931	0
Frankfurt 932	1	Frankfurt 932	1
Frankfurt 933	2	Frankfurt 933	2
Frankfurt 934	3	Frankfurt 934	3
Frankfurt 935	4	Frankfurt 935	4
Frankfurt 936	5	Frankfurt 936	5
Frankfurt 937	6	Frankfurt 937	6
Frankfurt 938	7	Frankfurt 938	7
Frankfurt 939	8	Frankfurt 939	8
Frankfurt 940	9	Frankfurt 940	9
Frankfurt 941	10	Frankfurt 941	10
Frankfurt 942	11	Frankfurt 942	11
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Frankfurt 997	66	Frankfurt 997	66
Frankfurt 998	67	Frankfurt 998	67
Frankfurt 999	68	Frankfurt 999	68
Frankfurt 1000	69	Frankfurt 1000	69

**BASF profit falls 32% in third quarter**

By David Waller in Frankfurt

BASF, Germany's largest chemicals company, yesterday added to the gloom surrounding the chemicals sector as it announced a 32 per cent drop in its net profits for the third quarter. At DM410m (\$259.5m), down from DM500m a year ago, it was the company's worst performance in any three month period since 1982. The figures came days after Hoechst began the autumn season for German chemical companies with a 22 per cent fall in profits for the nine months and a similar fall for the quarter. Today's figures from Bayer, the other large German chemicals group, will be studied for further evidence of parlous conditions in the European chemicals market. The weak performance from BASF will add weight to speculation that German chemicals groups may have to cut their dividends for 1991 if there is no improvement in profits in the final months of the year. Mr Jürgen Strube, chairman of the board of executive directors, refused to be drawn on the issue of the dividend, saying only that a decision on whether to maintain the DM13 paid last year would not be taken until early in 1992. Although there had been "good demand" in the early part of the current quarter, the chemicals group of the year would not match the performance of the same period last year. The parent company had slipped into loss during August and early September. Exceptional factors had been at work, in addition to the traditional summer slump in demand, such as the closure for refurbishment of the steamcracker at Ludwigshafen and costs associated with the expansion of the ethylene plants at Rheinfelden-Olefwerke. However, Mr Strube said that general market conditions were the principle reason for the decline, which saw group pre-tax profits slip 16 per cent from DM2.34bn to DM1.96 for the nine-month period, on sales up just over 1.2 per cent to DM35.10bn. Raw material prices had remained stable at a time when the prices of some of the group's most important products had fallen, putting pressure on margins. The strongly performing German domestic economy had attracted competition from overseas, with chemical imports rising 10 per cent in the nine months, while German chemicals exports fell. Costs of DM250m could be saved in 1992, he said. Staff numbers are planned to drop by 5,000 by the end of next year, down from 120,875 at the end of September. Capital investment of about DM1bn this year is set to be repeated next year.

**SEC plans to tighten its rules on non-US traders**

By Norma Cohen, Investments Correspondent, in London

THE US Securities and Exchange Commission has proposed a rule requiring non-US and US institutions who are large traders in US stocks to disclose the identity of their brokers and, in some cases, their clients, to US regulators. It is intended to help explain market dislocations by allowing regulators to learn who sold shares heavily in a falling market. It is also intended to help market surveillance. The rule would require a trader in 25m of US shares or 100,000 shares in a 24-hour period, to obtain a large trader identification number. The institution's brokers would be given the number and large trades transacted through them would have to be recorded. Non-US fund managers trading in US shares for a client would have to disclose the client's identity. Mr Charles Numnelly, director at Robert Fleming Asset Management and chairman of the Institutional Fund Managers Association, said he sympathised with the SEC's desire to unravel dislocations, but the rule sought more information than was needed. He said the SEC should seek information it needed from UK regulators with whom it already had a memorandum of understanding. Background, Page 26

**Haig Simonian on problems to be faced by the successor at the Italian car group**

**Agnelli ensures Fiat stays a family affair**

By naming his younger brother, Umberto, as his successor, Mr Giovanni (Gianni) Agnelli, the 70-year-old chairman of Italy's Fiat group, has removed some of the uncertainties surrounding Europe's second biggest car manufacturer - but others are still to be resolved. Mr Agnelli said in a weekend newspaper interview: "I have a brother who is 15 years younger than me and who is perfectly prepared and adequate to take my responsibilities. I repeat, he is perfectly equipped." The Agnelli brothers have not always seen eye to eye. Umberto, said in his habitual grey, has often seemed overshadowed by his higher-profile brother. After an unsuccessful period as Fiat's managing director in the 1970s, when the company was racked by labour dissent and terrorist threats, he has run the risk of occupying a void between his high-living brother and the group's cadre of hard-nosed professional managers, led by managing director Mr Cesare Romiti. However, Umberto, who has been deputy chairman for 15 years, has made a mark at IFIL, a lesser-known Agnelli-controlled investment subsidiary, which has spearheaded the family's and Fiat's recent diversification into hotels and food activities. The choice of Umberto as successor should reassure those Fiat executives who were growing concerned about the group's ability to handle growing problems while the succession was still unresolved. Highest on their agenda is the erosion of Fiat's once-dominant domestic market share. From 90 per cent of Italian car sales in 1989, it has now slipped to 47 per cent. Earnings have slumped in response. Group net profits fell to L1,613bn (\$1.3bn) in 1990 from L3,306bn in 1989. Gianni has already forecast a further fall this year. Greater competition in Italy, on which Fiat still depends for 65 per cent of its sales volume, has affected its overall position in Europe. Fiat is running virtually neck-and-neck with Volkswagen as Europe's biggest car producer. Fiat has now receded as a result of its domestic decline, and VW's surge due to booming German demand has been a major factor. In the first 10 months of this year, VW took 15.5 per cent of the European market against Fiat's 12.7 per cent. Challenges in the core cars business will grow. Rival European manufacturers, particularly Ford, have been striving to develop their growing Italian penetration. Sales by VW, which have been checked by the need to satisfy German customers, could also be at spare capacity becomes available once the domestic demand slows. More ominous in the longer term are the Japanese. Sales of most Japanese cars are still heavily restricted in Italy under long-running bilateral trade agreements. But the approaching single European market means that anti-Japanese barriers are starting to fall. Some have fallen already: sales of UK-made Nissans, which escape import restrictions, have rocketed this year following the establishment of a dealer network and heavy advertising. Other UK transplants will follow. Fiat has been working hard to tackle the dangers. After a new model lull, it has promised to win back customers by accelerating its new model programme with two new cars a year for the next nine years in a L40,000bn investment programme. Next month sees the presentation of its Polish-made Cinquecento minicar, to be followed by a new medium-sized Alfa Romeo saloon in early 1992. Fiat has also been pushing sales abroad. Attractive models like the Alfa 164 saloon and the medium-sized Lancia Dedra have spurred demand in a number of European markets, although the UK still founders. Work is already well under way at the group's new engine and assembly plants in southern



Giovanni Agnelli has named younger brother Umberto as his successor to chair Fiat - but there is no firm date for when Umberto will step out from his shadow

trade agreements. But Poland's continuing economic crisis has decreased likely demand in the short term. And while two thirds of annual Cinquecento output, starting at 100,000 in 1992 and rising to 240,000, is due to be sold in western Europe, margins will be thin. Insiders say the succession has been an increasing pre-occupation for Gianni, particularly after returning from his lavish 70th birthday celebrations in New York earlier this year to confront an acute fall in Fiat's domestic car sales. In his interview, he underlined his brother's experience in dealing with Japan and eastern Europe as key attributes for the future. So far, he has given no hint as to when he might step down, nor of any possible role for Umberto's son Giovanni, 27, widely seen as a future force within the company. But the latest announcement, which coincides with a growing role for family owners at other big Italian companies like Olivetti and Ferruzzi, represents welcome foresight. For Mr Romiti, it may also signify a gradual shift to the sidelines, although that is probably some way ahead. Meanwhile, political uncertainties in Moscow have led a cloud over plans to buy around 30 per cent of VAZ, the Soviet Union's biggest carmaker, and itself the substitute for a much bigger project that has now been frozen. Matters have progressed more smoothly in Poland, where Fiat last month announced it would take 51 per cent of FSM, the state-owned car market with which it has a long-standing co-operation agreement. FSM will produce the new Cin-

**Wallenberg to merge two core investment companies**

By Robert Taylor in Stockholm

INVESTOR and Providentia, the two Swedish investment companies forming the core of the Wallenberg industrial empire, will merge into a single company under the Investor name. "The decision is designed to streamline and clarify Wallenberg's investment strategy, increase liquidity in the market for foreign and Swedish investors and produce a higher long-term return on capital for shareholders," said Peter Wallenberg, chairman of both companies, said yesterday. "We understand it has been difficult to explain the existing structure to foreign investors." The new company will have assets of SKr55.9bn (\$14.8bn) and a share portfolio valued today at about SKr27.54bn. Providentia shareholders will be offered four Investor Series B unrestricted shares for each five Providentia shares they hold. This represents a premium of 16.5 per cent for A shares, and 18.6 per cent for B shares. After full conversion it is estimated the series B restricted B shares will account for just over 60 per cent of the total number of shares in the new Investor. The total value of the bid for Providentia is estimated to be SKr10.78bn. A prospectus will be sent to shareholders by the middle of next month and a special Providentia shareholders' meeting held on December 19. The period of acceptance of the share offer will extend to January 2 to January 24, 1992. Investor was established in 1916 by the Wallenberg Enskilda bank after Swedish legislation prohibited the transfer of profits to banks from their closely affiliated investment companies. Providentia was created in 1946 as a parallel investment company in the Wallenberg sphere. The Wallenbergs will control 25 per cent of the equity and 26.1 per cent of the voting rights in the new Investor. The two companies have the same ownership and investment philosophy, similar stock portfolios, a common ownership since earlier this year in the vehicle and aerospace group Saab-Scania, and boards of directors made up mostly of the same people. Mr Claes Dahlbeck will remain investor president. Mr Per Lundberg, Providentia's president, will become Mr Dahlbeck's deputy in the new company, and Mr Bo Berggren, president of Stora Forstery group, and Mr Anders Scharp, chairman of Electrolux, have been made vice-chairmen.

**Maxwell payments freeze agreed**

By Robert Peston and Brown Maddox in London

BANKS led by National Westminster yesterday agreed to freeze repayments on £850m (\$1.5bn) of loans to the Maxwell family until December 20. At a meeting yesterday at the Chartered Insurance Institute in the City of London, 20 banks delegated responsibility for formulating a rescue of the private companies to a steering committee of five banks, chaired by NatWest. The committee also includes two other UK clearing banks, Midland and Lloyds, together with Paribas, the big French bank and Sumitomo, the Japanese bank. The committee hopes to produce a report in 10 days on three issues: ● Providing the companies with short-term loans to allow them to continue trading. The companies require "a few million pounds", according to a banker. ● Obtaining security for this new loan. ● Providing new collateral to banks whose existing collateral has been eroded. Banks with loans backed by Maxwell Communication Corporation shares have watched their collateral diminish as its share price has fallen sharply. The most vulnerable is Swiss Bank Corporation, which never received collateral - in the form of a portfolio of Maxwell shares - promised to it on a £55m loan. SBC believes it is a special case and has not joined the steering committee. It said yesterday it would wait for the steering committee's report before deciding its action. The Maxwell family yesterday appointed N.M. Rothschild, the UK merchant bank, to advise it jointly with Bankers Trust, the US bank, on the reorganisation of

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## INTERNATIONAL COMPANIES AND FINANCE

## German retailers buy into WestLB stake in Horten

By David Waller in Frankfurt

WESTDEUTSCHE Landesbank, the Düsseldorf-based regional bank, yesterday announced a complicated restructuring of its holding in Horten, Germany's fourth-largest department store chain.

WestLB, which acquired the stake from BAT Industries of the UK last year, is transferring 49 per cent of its 50.11 per cent stake in Horten to a new holding company in which Kaufhof, Germany's second biggest retail chain, and Kaufing, another German retailer, will take a near-40 per cent holding between them.

The transaction will leave WestLB with some 30 per cent of the company, while Kaufhof will have 7.5 per cent. The

other large shareholders - Deutsche Bank and Dresdner Bank, which own 25 per cent of Horten between them via Degav, an investment company - are unaffected by the deal.

WestLB bought into Horten when it was undergoing extensive restructuring after a substantial fall in profits in 1989. The bank, which is thought to have paid DM140m (\$89m at current exchange rates) for the stake, said then that it was not a long-term shareholder and would sell to outside shareholders when Horten's finances had improved and it was strong enough to have an independent future.

There were no details yesterday of Horten's financial condition, although WestLB said that all participants aimed to secure Horten's development for the long term, with the new shareholders providing entrepreneurial skills and financial muscle. The shareholding structure will remain in place until 1996.

WestLB would not comment on the price it had obtained other than to say it did not make a loss on the shares it sold.

The shares were suspended on the Düsseldorf bourse at DM185 per share yesterday. Market sources suggested that WestLB received as much as DM230 per share for its stake.

## Accor given 24 hours to provide information

By Andrew Hill in Brussels

ACCOR, the French hotels group which is bidding for Wagons-Lits, was yesterday given 24 hours in which to provide more information to institutional shareholders in the Franco-Belgian tourism company, or face hefty fines.

The president of the Brussels commercial court said Accor would be fined BF100m (\$518m) for each day it delayed. However, the French group said yesterday that 90 per cent of the information was already contained in its 117-page offer document.

Accor launched its BF2.25bn (\$406m) bid last month, in partnership with the Belgian holding company Société Générale de Belgique. Three groups of investors have begun legal action against the bidders, in the hope of persuading them to lift the price from BF6.650 to BF12.500.

A group of institutional investors - including funds managed by most of Belgium's largest banks, and the British group Norwich Union - began summary proceedings last Friday to bring more information out of Accor.

They want more details about the motivation of Accor and La Générale, the terms on which the two groups shifted their ownership of the bid vehicle the day before the takeover was launched, and how the vehicle is financed.

Accor and La Générale bought a 27 per cent stake in Wagons-Lits in June 1990, at BF12.500 a share. The institutions also want more information about the relationship between Accor/La Générale and the Caisse des Dépôts et Consignations, the French state-owned financial group which holds a 28 per cent stake in Wagons-Lits.

Accor would almost certainly appeal against any decision to fine the company. The group's lawyers argued last week that the Brussels commercial court did not have the legal power to question a decision of the Commission Bancaire, the Belgian takeover authority which approved the offer document.

The court will begin hearing the two other cases on Friday.

## Siemens or ABB in Skoda Pilsen link

By Anthony Robinson in London

THE long-running search for a foreign partner to help modernise Skoda Pilsen, Czechoslovakia's main producer of nuclear and conventional generating plant, has narrowed to a choice between Siemens of Germany and Asea Brown Boveri (ABB), the Swiss-Scandinavian power group.

A decision is expected by this week after months of negotiations, which also involved

Westinghouse of the US. Siemens and ABB have invested strategically in central Europe. This has put them in a strong position to compete for what are expected to be large contracts to develop power generation in a region handicapped by its inefficient and polluting plant.

Siemens has just completed the takeover of 11 power manufacturing and engineering

plants employing 20,000 people in former east Germany, while ABB has bought similar plants in Poland and Hungary.

ABB also offered last month to help the Ukrainian authorities convert their nuclear reactors to burn conventional fuels.

ABB is most interested in Skoda's nuclear power operations, but has hinted that it will consider a link with

Skoda Pilsen transport division. This makes electric locomotives, including high-powered, broad-gauge locomotives for Soviet railways.

The search for foreign partners, part of the Czech and Slovak governments' privatisation programmes, has led to Volkswagen taking an eventual 70 per cent stake in the Skoda car company, a different company, from Skoda Pilsen.

## Carlsberg climbs 10% to DKr789m

By Hilary Barnes in Copenhagen

CARLSBERG, the Danish brewery group, increased net profits by 10 per cent to DKr789m (\$128m) from DKr719m in the year to September 30.

The group, which brews both the Carlsberg and Tuborg brands and has major interests in the UK, Europe and the Far East, reported a decline in sales to DKr10.24bn from DKr10.93bn, but after allowing for the disposal of several group companies, sales

were ahead by 4 per cent. Pre-tax profits were up to DKr1.23bn from DKr1.14bn, including a considerable but unspecified increase in net financial income.

Return on equity capital increased to 13.8 per cent from 13.5 and earnings per share to DKr68 from DKr66. An unchanged DKr15 per share dividend was proposed.

Last year, Carlsberg took over Unicar, Portugal's largest brewery, and acquired a 10 per

cent stake in Cruzcampo, Spain's largest brewery, and, after the end of the financial year agreed to merge its UK brewing interests with Allied-Lyons to form Carlsberg-Taylor.

Sales and profits before net financial items are expected to increase in the current year, said the statement, but heavy investments in both new plant and acquisitions will cause a decline in financial income.

## DnB may shed 780 staff in restructuring

DEN NORSKE BANK

NORWAY'S biggest bank, said it may cut 780 jobs as part of a sweeping restructuring plan of the troubled bank. Reuter reports from Oslo.

The proposals, made by an internal group set up in April to work out ways of returning DnB to profit, were handed to management and union representatives yesterday. DnB currently employs 6,999 people.

"The proposed organisation model will reduce the bank's staff needs by about 780 work years," DnB said.

The proposals also recommended that DnB set up separate divisions for business and personal clients from the end of 1991.

## Ruetgerswerke to pass dividend amid warning

RUETGERSWERKE, the German chemical company, will not pay a dividend for 1991 after paying DM7 a share in 1990. Reuter reports from Frankfurt.

Mr Wolfhard Ring, the management board chairman, said the company's results had "considerably deteriorated" compared with 1990. He gave no details of profits.

He added that Ruetgerswerke had experienced a sharp drop in prices and deliveries in the aromatics and tar sectors.

Total turnover in the nine months to September 30, rose to DM2.65bn (\$1.67bn) from DM2.63bn a year earlier.

## Vodafone 'not vulnerable' to bid

By Hugo Dixon in London

VODAFONE, which de-merged fully from Racal Electronics in August, believes it is not vulnerable to a takeover attempt because it is too expensive. Since the de-merger, there has been speculation that the UK mobile communications group will be bid for like its erstwhile parent, now fighting a takeover from Williams Holdings.

Mr Gerry Whent, Vodafone's chief executive, said Goldman Sachs, the US investment bank, had worked through the financial consequences for a series of possible international bidders of acquiring the group and had concluded that such a move would be too dilutive to their earnings.

Vodafone's current capitalisation is £3.6bn (\$5.44bn), and a bidder would have to pay at least £3bn and maybe £6bn to acquire control, Mr Whent said.

The company's share price

rose 12p to 356p yesterday when it reported pre-tax profits at the top end of expectations of £140m for the half-year to October 11. The profits were 15 per cent up on last year's corresponding figure. Turnover rose 9 per cent to £305m.

The rapid growth of the mobile communications industry in recent years has been slowed by the recession. But Vodafone said "the first signs of the recession ending and growth improving are visible."

In the depth of the recession, the number of gross new connections to Vodafone's cellular network fell to 16,000 a month from 25,000 but had since recovered to 22,000. However, the proportion of customers leaving the network each year was still 21 per cent, up from 15 per cent before the recession.

Vodafone claimed that it was still winning a larger proportion of new customers than its rival, Cellnet, and that its market share continued to be 56.7 per cent.

Vodafone expects to receive its new telecommunications licence from the UK government shortly, which will allow it to provide fixed telecommunication services as well as mobile ones. However, the group does not intend to use this licence for a head-on assault on BT's market.

At the end of the financial year, Vodafone expects to have a positive cash balance of £30m. Capital expenditure in the current year will be about £80m, increasing to over £100m next year.

Earnings per share for the half-year were 13 pence up at 9.45p. The interim dividend has been increased 10 per cent to 2.65p a share.

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## Benetton expects 12% sales growth for 1991

BENETTON, the Italian clothing group, expects sales to rise by about 11.7 per cent this year to £2,300bn (\$1.9bn), according to its chairman, Mr Gilberto Benetton, writes Haig Simonian in Milan.

Net group earnings should increase by about 21 per cent

to about £1,600bn. In the first nine months, sales climbed by 12 per cent against the same period in 1990, he said.

Mr Benetton confirmed the group's determination to lift sales both in established markets and where it is not represented and costs or local

legislation restrict imports. In a deal signed late last month, it joined with the Egyptian Alexandria Textiles group to establish Benetton Egypt, which will produce 500,000 cotton goods a year for the local market and aims to have 30 shops by the end of 1992.

This announcement appears as a matter of record only.

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## BNP GROUP

### FIRST HALF 1991: TURNAROUND

At the Board meeting of October 2, 1991, presided over by M. René Thomas, the accounts of the first half of 1991 were reviewed

In millions of Francs	Half year ended 30 June		In value	In %
	1991	1990 (1)		
Net banking income	19 237	17 600	+ 1 637	+ 9.3
Operating expenses	13 827	12 718	+ 1 109	+ 8.7
Operating profit	5 410	4 882	+ 528	+ 10.8
Provisions for losses	3 686	3 021	+ 665	+ 22.0
Net profit	1 849	1 020	+ 829	+ 81.3
Group net profit	1 611	941	+ 670	+ 71.2
Net profit per share (in francs)	22.77	13.76	+ 9.01	+ 65.5

(1) Data for the first half of 1990 consolidated profits

During the first half of 1990 consolidated profits fell sharply due to a number of exceptional items, notably the winding-up of the BIAO.

The first half of 1991 was marked by the turnaround resulting from the efforts which enabled the Group to achieve a level of profitability close to that of 1989. In the first half of 1991, the economic climate had contrasting effects on the accounts.

• Sight deposits were flat causing a relative increase in the cost of funds; in addition the financial position of both individuals and companies deteriorated.

• Other factors aided the turnaround in profits: the levels of the stock markets and the dollar both rose; interest rates declined and certain Sovereign state borrowers resumed interest rate payments.

The measures taken since September 1990 to reduce operating expenses, especially in France, began to take effect from the second quarter of 1991.

As a result Group profits reached 5,410 MF during the first half, an increase of 10.8% over the corresponding period of 1990.

On a comparable basis, the increase in consolidated operating income was 22.7%.

In France business held up well.

• Domestic lending increased 10.9%; 11.6% to industry and 9.6% to individuals.

• Deposits increased 8.6%; sight deposits fell slightly whilst time deposits increased 26.3%.

Abroad, business was strong and its effect on profits was amplified by the rise in the dollar. The improvement was particularly noticeable in the Asia-Pacific region and in Europe.

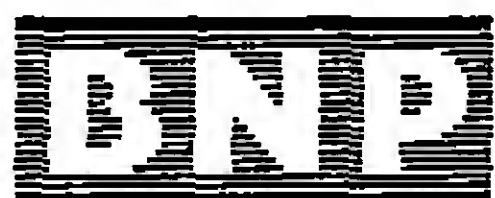
Net profits improved significantly; the increase in loan provisions was a reflection of the BNP's traditional prudent policy.

These provisions were essentially due to specific client risks both in France and abroad.

Sovereign risk provisions were stable thanks to a number of countries repaying overdue interest payments and also because of a reduction in loans, notably by the BAII. Provisions for Sovereign loan risk to more than 70 countries were stable at 60%.

First half profits were also helped by the companies consolidated on an equity basis, in particular the UAP.

Finally, earnings per share rose from 13.76 francs to 22.77 francs, an increase of 65.5%.



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## INTERNATIONAL COMPANIES AND FINANCE

### Delta on course for Pan Am deal

By Paul Betts, Aerospace Correspondent

DELTA Air Lines expects to complete the third phase of its complex transaction with Pan American Airlines, the bankrupt US carrier, on schedule.

The deal involves the acquisition of a 45 per cent stake in a reorganised Pan Am, based in Miami, and concentrating on the airline's traditionally profitable Latin American network.

Although Mr Thomas Roock, Delta's chief financial officer, conceded in an interview that the Pan Am deal "was easily the most complicated transaction I have dealt with" and that there was "an awful lot of jockeying among all the players", he said the final transaction was still on track.

The Pan Am reorganisation plan is to be put to the bankruptcy court on December 3 and, if confirmed, will be closed the following day.

Mr Roock indicated that the overall deal, including the acquisition of the Pan Am US east coast shuttle, its Frankfurt and New York hubs, and the 45 per cent stake in the reconstituted airline was expected to cost Delta \$80m.

Delta's debt-to-equity ratio would increase from 46 per cent to 55 per cent as a result of the transaction but Mr Roock said the airline did not feel uncomfortable with this ratio.

PAN AM is selling its Pan Am Express computer operations to TWA for \$25m, including \$2m in cash and the assumption of liabilities, writes Karen Zagor in New York. Pan Am Express operates a feeder service at New York's JFK airport and Miami International airport.

TWA, struggling under its debt burden and in the throes of negotiating a debt restructuring package with its creditors, described the acquisition as "a major step toward establishing a new domestic hub" at New York's JFK International Airport.

The transaction is subject to regulatory approval and the approval of the Pan Am bankruptcy court. Pan Am filed for Chapter 11 bankruptcy protection in January.

He acknowledged that placing Pan Am on a firm footing had taken longer than expected. But he pointed out that the troubled airline's cash losses had been lower than anticipated since the revised financial agreement on October 22 to make additional funds immediately available to Pan Am.

Delta, like its two other big US rivals American Airlines and United Airlines, has not escaped the financial squeeze. "We don't see much encouragement in the US economy right now and I expect the airline industry to lose a substantial amount of money in the current December quarter," Mr Roock said.

But Delta remained committed to its long-term growth plan and unlike American Airlines had no intention of scaling down its overall investment programme. "We intend to continue spending about \$2m a year on new aircraft," Mr Roock maintained.

The Pan Am acquisition had offered Delta the opportunity to expand internationally. "We think the economies of the new Pan Am are compelling," Mr Roock argued.

"Historically Latin America has been the only place Pan Am has consistently made money. But their network feeding the Latin American services lost money. We can now feed this system more effectively from our hubs in Atlanta, Dallas and Cincinnati," he explained.

In Europe, Delta is concentrating its efforts on its new Frankfurt hub acquired from Pan Am on November 1. Unlike Pan Am, Delta is developing Frankfurt not only as a hub for transatlantic traffic

but also as a base for intra-European services.

"We plan to develop a European network. Our biggest challenge is to get the name Delta known in Europe and make people realise we are also a European carrier," explained Mr Harold Achtziger, Delta's vice-president for international operations.

Mr Achtziger said the airline was considering starting a transatlantic service to Amsterdam, and planned going ahead with the development of a new Asian hub at Taipei next year.

Unlike the Frankfurt hub, Delta does not intend to acquire any assets to start its new Asian hub next June but instead plans to develop the Taipei operations on its own.

"We are not absorbing anybody. It will be a gradual start-up with a step by step build-up of the new Taipei hub," Mr Achtziger explained.

Delta had considered acquiring last year the Pacific network of Continental Airlines, but the deal fell through because the two companies could not agree on a price, confirmed Mr Roock.

"Frankfurt and Taipei will neatly complement our international expansion by providing us with two overseas rapidly growing parts of the world," Mr Roock said.

### First City Financial losses double

By Bernard Simon in Toronto

FIRST City Financial, the embattled flagship of Canada's Belzberg family, has suffered nine-month losses of \$347m. (US\$307m) and is contemplating restructuring or selling its equally troubled financial services subsidiary. Last year, the company lost \$316m in the nine-month period.

Under a plan of arrangement approved by shareholders this month, the Belzbergs will lose control shortly of First City to a group of creditors. The company said yesterday that it expected the plan to take effect on December 31 after approval

by an Alberta court.

The third-quarter loss was \$326.7m, or 51 cents a share, down from \$442.2m, or \$1.58, a year earlier. First City, the vehicle for many of the Belzbergs' corporate raids in the 1980s, has been battered by writedowns on investments and a heavy debt burden. The shareholders' deficit on September 30 totalled \$315.2m.

First City Financial's main operating subsidiary, First City Trust, reported a third-quarter loss of \$37.2m, bringing its losses for the year so far to \$315.6m.

The hard-pressed company, which operates a mid-sized Canadian financial services group, said it was halting interest payments on its subordinated debt and discussing a recapitalisation, merger or sale.

First City Trust said further writedowns, which could exceed its shareholders' equity, will probably be required on its equipment leasing and loan portfolio later this year. The company yesterday announced the sale of its Canadian equipment leasing operations to AT&T Capital.

### General Cinema wins Harcourt

By Alan Friedman in New York

GENERAL CINEMA, the US cinema and retailing group, yesterday completed its much delayed \$1.2bn takeover of Harcourt, a New York-based, troubled publishing and insurance company. The green light for the deal was made possible late last week by an approval vote by two thirds of Harcourt's shareholders.

The on-off deal had run into a number of obstacles in recent months, including an attempt by some stockholders to stop the takeover. The deal calls for General Cinema to pay \$1.2bn for Harcourt bonds and \$100m for Harcourt common and preferred stock.

Harcourt, which suffered a net loss of \$88m in the 12 months to last September 30, is burdened by heavy debts that were taken on as part of a restructuring designed to fend off an unwelcome bid in 1987 from the late Mr Robert Maxwell.

The Florida-based Harcourt, which welcomed the takeover, had previously warned shareholders that it might need to file for bankruptcy if the takeover by General Cinema was not approved.

### Tenneco to sell natural gas arm

By Karen Zagor in New York

TENNECO, the Houston conglomerate, yesterday said it had agreed to sell its natural gas liquids business for \$632m to Enron as part of its \$2bn restructuring programme.

Enron, which operates 30,000 miles of pipeline and markets natural gas liquids, will pay \$22m in cash. It will assume about \$7m in debt and will be responsible for about \$102m in costs related to the completion of a plant being built in Texas to produce MTBE, a blending component expected to help petrol meet clean air Act standards. The plant is also included in the sale, which is scheduled to close on December 31.

On Wall Street, shares in Tenneco added 1 1/4 to \$34 1/2 in fairly active trading, while shares in Enron held steady at \$22 at mid-day.

Earlier this year, Tenneco announced plans for a shake-up, including the sale of non-core assets. The company took a \$60m third-quarter pre-tax restructuring charge and announced plans to raise up to \$500m in new preferred stock.

### Mexican steel sell-off is completed

By Damian Fraser in Mexico City

THE MEXICAN government has privatised the three state steel companies, Ahmsa, Siscarta and Sibilasa, for \$340m in cash, \$545m in debt and investment pledges of at least \$355m.

A government official said the new owners of Ahmsa and Sibilasa planned to supply Mexico's booming car sector with high quality steel, which until now has been imported.

"Mexico has automakers like Volkswagen and Nissan and they import all their steel. If the [steel companies] can provide very good hot coil, they will sell it to these companies and make a very good business," the official said.

Grupo Acerero del Norte, bought Ahmsa, the oldest of the three companies, for \$145m in cash; the company will take on \$50m of government debt and invest in the next few years at least \$355m in modernising the plant.

The Monterrey-based Grupo Villacero bought 80 per cent of Siscarta for \$170m, valuing the whole company at \$215.5m. Siscarta, commissioned in the mid-1970s, produces about 1m tonnes of non-flat steel a year, and is reasonably profitable.

Carilasa, based in India, bought Sibilasa for \$25m in cash and \$195m in debt; and will invest at least \$50m in the plant. Sibilasa, commissioned in 1988, is one of the most modern in the world, but operates at a loss.

Grupo Acerero was backed by Hoogovens, of the Netherlands, a supplier of steel to European car companies, and by the US electricity utility Southern California Edison. Hoogovens has been given 5 per cent of Ahmsa; in return it has promised to send Hoogovens executives to Mexico.

### Sales of computer workstations fall 8%

By Louise Kehoe in San Francisco

WORLD SALES of computer workstations declined by almost 8 per cent in the third quarter of this year, according to a study published yesterday by Dataquest, the US market research company.

The figure provides the first independent evidence of recessionary pressure in a previously buoyant sector of the computer market.

"The decline shows the combined effect of the recession and the traditional mid-year market slowdown," said Ms Lisa Thorrell, associate director for Dataquest's Computer Systems Service.

But sales of low-end workstations are "really heating up," she added. Models selling for under \$15,000 comprised more than half of workstation sales, driving the industry's average selling price to under \$18,000 for the first time.

### Chase Manhattan to close Tokyo securities unit

By Emiko Terazono in Tokyo

CHASE Manhattan Securities Japan, the brokerage arm of the US clearing bank, is to close its doors by the end of March next year.

Chase started securities operations in Tokyo in 1988 after it purchased Laurie Milbank, the UK brokerage house. It said that although the branch had posted profits for the year to end-March 1991 and for the interim period to end-September, the closure was a part of the parent company's rationalisation scheme.

Chase said it had been cutting down its operations since October and said it had decided not to participate in the underwriting consortium for Hokkaido Electric Power's straight

bond issuance this month. Chase currently employs over 20 people, but it said all employees had found new jobs.

Many foreign brokers in Tokyo have fared better than Japanese houses, whose earnings have been hurt by the string of stock scandals and sluggish market volumes.

Profits at the Tokyo operations of Salomon Brothers and Morgan Stanley soared for the first six months to September on futures and options-related transactions.

However, due to the tough competition, some smaller foreign houses are finding the high costs harder to justify and are closing or scaling down their operations in Tokyo.

These securities having been sold, this announcement appears as a matter of record only.

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CRD

The Company has announced at the Tokyo Stock Exchange the business results and forecast for current term (April 1, 1991 through Sept. 30, 1991)

	current interim period	previous interim period	previous period
sales	271,056	251,672	504,235
ordinary profit	12,274	10,547	24,907
profit per share	5.347	5.059	10.567
profit per share	yen 26.31	yen 24.54	yen 52.70

Figures in millions of yen unless otherwise specified

Amsterdam, November 21, 1991

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Frankfurt/Main, November 1991

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U.S. \$100,000,000

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Interest Period	25th November 1991 to 28th May 1992
Interest Amount per U.S. \$10,000 Note due 26th May 1992	U.S. \$266.88

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## UK COMPANY NEWS

## Vibroplant dives 43% as discounting hits margins

By Peggy Hollinger

VIBROPLANT, the plant hire group, maintained turnover in the six months to end-September at the expense of margins, as pre-tax profits fell 43 per cent to £2.68m pre-tax.

A virtual price war in the plant hire industry forced charges down between 5 and 10 per cent in the last 15 months, said Mr Jeremy Pilkington, chairman. Turnover was up slightly at £40.5m (£40.4m).

"Giving discounts has been a necessary evil to protect volumes," he said. "We are a long way from break even, but I wouldn't want to go much further." The group did not expect a change on the discounting policy during the current year.

Mr Pilkington stressed the improvement of the group's performance on the second half of last year. "There has been some discounting out and stabilisation in the UK," he said.

As a result, the group expected a return to a more balanced split of earnings between the first and second halves.

The UK was particularly badly hit during the six months with sales falling 12 per cent. This was offset by a 16 per cent improvement in turnover in the US, largely due to second hand plant sales.

However, severe pressure on margins forced US profits down by 29 per cent.

Debt stood at about £44m, or 80 per cent of shareholders' funds. This was down from 90



Jeremy Pilkington: discounts were a necessary evil

per cent at the year-end and Mr Pilkington said the group was on target for gearing of 70 per cent at the year-end.

Earnings per share fell from 6.58p to 4.05p. The interim dividend is maintained at 1.2p.

● **COMMENT**

Given the depressed state of the industry, one cannot blame Vibroplant for these results. In fact, some credit is due for maintaining turnover while others in the sector watch sales fall away. However, it will be harder to win back margins once the long-promised

upturn comes. On the upside, debt levels - although high - are coming down and the group has a fairly modern fleet. Thus, no heavy investment should be needed for a couple of years. On the other hand, things are going from bad to worse in parts of the US and prices are still under pressure in the UK. This winter should be crucial when many of the weaker companies will fade away leaving less competition in the spring. Forecasts are £4.8m for the year. The prospective p/e of 7.2 leaves the shares on the expensive side.

## NEWS DIGEST

## Allen fall regarded as satisfactory

IN SPITE of the last six months being the worst period that he had experienced in over 35 years in the construction industry, Mr Donald Greenhalgh, chairman and managing director of Allen, said that limiting his company's profits fall to 21 per cent was "most satisfactory".

The USM-quoted company, which has interests in contracting, plant hire, housebuilding, property investment and development, achieved pre-tax profits of £2.01m (£2.58m) in the half-year to September 30, on turnover down 11 per cent at £31.5m (£35.3m).

The contracting side had been buoyant, Mr Greenhalgh said, with both companies profitable and operating profits down only 10 per cent. At September 30, Allen had a workload of £19.6m "obtained at sensible margins". Housebuilding profits rose and completions were up 8 per cent over last time.

Hire services, however, suffered from intense competition and profits fell 50 per cent. The company was continuing with its "cautious approach" to

property development. Earnings emerged at 5.5p (7.5p) per share.

## City of London PR declines to £281,000

Pre-tax profits at City of London PR Group, fell some 18 per cent, from £344,000 to £281,000, over the half year to end-September.

Turnover was up from £380,000 to £329,000, reflecting the acquisition from June 1 of the independent Research Bureau.

Mr John Greenhalgh, chairman of this USM-quoted public relations company, described trading conditions as "dickish". He expected the balance of the year to remain in line with, or a little above, current levels although some recovery in Australia "cannot be too far away".

The interim dividend is maintained at 1.04p payable from earnings down from 2.91p to 2.45p per share.

## Margins come under pressure at Cropper

In spite of a marginal increase from £19.8m to £20.1m in turnover for the six months to September 28, James Cropper, the specialist papermaker, incurred a 38 per cent setback, from £371,000 to £231,000, in pre-tax profits.

Mr James Cropper, chairman, said that the continued recession in most of the company's markets had made it difficult to maintain a full order book with reasonable margins during the period.

However, he said it was pleasing in the circumstances that the trading profit had been held to a reasonable level - £1.71m against £1.85m - and that there had been a recovery in pre-tax profits compared to the second half of last year.

Earnings per share were almost halved at 5.5p (10.1p) but the interim dividend is maintained at 0.97p.

## Gloomy Hewetson falls to £703,000

Hewetson, the builders' carpentry, joinery and materials group, saw pre-tax profits decline from £1.17m to £703,000 in the six months to September 30.

The outcome was struck after writing off an exceptional debit of £154,000 relating to the reorganisation of working practices at Hewetson Floors.

Group turnover was down from £22m to £19.8m while operating profits slipped to £1.15m (£1.54m).

Earnings per share were 4.8p (9.06p) basic and 4.48p (7.83p) fully diluted.

The interim dividend is maintained at 1.6p.

## Baring Chrysalis Fund raises \$92m

By John Authors

BARING BROTHERS, the merchant bank, yesterday announced it had raised \$92m (£51.9m) from investment institutions for a closed-end investment company investing in emerging markets.

Dealings in the company, the Baring Chrysalis Fund, started yesterday on the Stock Exchange.

The fund, managed by Baring International Investment Management and aimed primarily at pension funds and other large institutional investors, started investing in December last year, and the new placement brings its net asset value to slightly more than \$125m.

Baring said that the placement had been made to satisfy institutional demand, and that a launch of a fund for the retail market was also likely. It admitted that it invests in relatively risky economies, but thought long-term prospects were good.

At the end of October, 47 per cent of the fund was invested in Latin America, with 33 per cent in Asia, and 20 per cent in smaller European economies - the Irish Republic, Portugal, Hungary, Turkey, Austria and Greece.

Within Latin America, Mr Richard Chavenix-Trench, a director of BIM, said the fund had already pulled out of Brazil, due to foreign exchange risks, but still had 23 per cent of its funds in Mexico - which he described as "relatively stable" - and 14 per cent in Argentina.

Mr Richard Brumby, a director of the fund, said: "The fund's use of regional specialists and appropriate diversification can reduce risk, while still capturing some of the high returns characteristic of these markets."

## Tunstall makes £3.5m move into Germany

By Peggy Hollinger

TUNSTALL, the UK's leading manufacturer of communications systems for the elderly, yesterday announced its first move into Germany with the acquisition of Schmelzer, a former subsidiary of BOC, for a minimum of £3.5m.

The group also announced a 15 per cent decline in pre-tax profits to £4.4m (£5.15m), slightly above expectations, for the year to September 30. Sales fell more sharply, from £47.4m to £37.1m.

Speaking on the move into Germany, Mr Michael Dawson, chairman, said: "We see this acquisition as a strategic development of the group's strategy overseas."

Schmelzer is a leading provider of hospital communications systems in Germany. Mr Dawson stressed the opportunities in eastern Germany, as hospital rebuilding programmes begin to take effect.

Tunstall will pay the equivalent of the

net asset value of Schmelzer - £3.5m in September - on completion of the deal. Some £3m will be payable in cash. The UK group will use its cash reserves, which stood at £3.2m at the half-way stage, compared with a debt of £3.3m at the previous year-end.

The group stressed that cash flow had been improved through a squeeze on working capital. The final dividend is increased from 5p to 3.2p, making a total of 8.33p (5p).

The Tunstall Telecom core business continued to perform well, despite the delay in the government's Care in the Community programme. The scheme would increase the number of elderly cared for in their own homes, said Mr Dawson, thus boosting demand for personal alarm systems. The government's programme was expected to come into effect in

April 1993.

The security businesses continued to make losses, although not as great as last year.

Earnings per share fell to 17.4p (20.3p).

## ● COMMENT

Germany looks like a wonderful idea. Unfortunately, most do not and the group's unhappy experiences with Ademo and Sound Diffusion have left many with a sour taste. However, the German business has a strong management and the business does have a lot of synergies. The potential of Germany's ageing population is enormous and Schmelzer's margins of 3 per cent offer a lot of room for improvement. Forecasts of £5m give a prospective p/e of 9.5. The shares are a good discount to the market and long-term investors should see some promising growth.

## Debt provision leaves Clydesdale down 9%

By James Buxton, Scottish Correspondent

CLYDESDALE Bank, the Glasgow-based institution owned by National Australia Bank, made pre-tax profits of £64m in the year to September 30 1991, a fall of 9 per cent on the bank's record profits of £70m in 1990.

Provision for bad and doubtful debts was £28.9m compared with £10.7m in 1990. Operating profits before bad debt provisions and a contribution of £1.5m to the Deposit Protection Fund in respect of BCCI were up 17 per cent at £92.7m.

Sir Eric Yarrow, chairman, said: "When account is taken of the conditions which prevailed throughout the year, this performance is commendable. In adverse conditions the bank has achieved a great deal. When conditions improve it should do even better."

Mr Richard Cole-Hamilton, chief executive, pointed out that the bad and doubtful debt provision was 0.75 per cent of total lending assets which compared very favourably with Clydesdale's competitors.

Clydesdale has benefited from the fact that the Scottish economy, where the bank almost exclusively operates, has been less severely affected by the recession than the south of England.

Staff costs rose by only 2 per cent because of the introduction of new information technology. But the cost of this equipment helped push other costs were up by 10 per cent.

Mr Cole-Hamilton said that the bank's cost/income ratio was 67 per cent in 1991 compared with 69 per cent in 1990. However, he considered this too high, especially compared with Bank of Scotland's ratio of 55 per cent and Royal Bank of Scotland's 64 per cent.

The bank's total assets rose 11 per cent to £5.1bn.

Sir Eric retires next month at the age of 71 to be replaced by Sir David Nickson, chairman of Scottish Enterprise, Mr Cole-Hamilton, who is 57, is to retire by the end of next year and headhunters are looking for a successor both outside and inside the bank.

## National Grid Company surges 22% to £244m

By Richard Gourlay

NATIONAL GRID Company, the privatised concern which operates the UK electricity grid, yesterday reported a 22 per cent increase in profits and a 20 per cent increase in earnings per share.

Pre-tax profits in the six months to end-September rose on a historical cost basis from £199.1m to £243.7m on sales up 16 per cent at £655m.

The 12 regional electricity companies which own National Grid will receive an interim dividend of 8.5p, up some 9 per cent over last year.

Mr John Uttley, finance director, said the dividend growth was about 5 per cent above inflation and in line with targets set in the privatisation prospectus.

The underlying growth of earnings per share was 11 per cent. The balance of the 20 per cent increase derived from income not collected in 1990, because of an under-prediction of inflation, but recovered this year.

Mr Uttley said that over the last 18 months companies with

more than 16,000MW of new generation capacity had signed connection agreements with National Grid. Some 14,000MW of this capacity related to new gas-fired generators and, of that, 63 per cent will be supplied by companies other than National Power and PowerGen, the privatised electricity generators.

Peak demand from the grid is thought to be just under 50,000MW, he said.

National Grid also yesterday said it has received its AAA indicative long-term credit rating from Standard & Poor's, the rating agency.

## Bowthorpe buy

Bowthorpe Holdings, the electrical and electronic components group, has completed the acquisition of Glasgow-based Edgumbe Instruments for £5.13m cash.

The net assets acquired have a book value of some £2m. For 1990 Edgumbe achieved trading profits of £800,000.

"Clydesdale Bank performance will stand favourable comparison with that of its competitors. In adverse conditions the Bank has achieved a great deal. When conditions improve it should do even better."

"The Bank has achieved profits before tax of £64.0m, a reduction of 9% from the figure for last year. When account is taken of the conditions which prevailed throughout the year this performance is commendable.

In presenting my last statement as Chairman, I feel very confident about the future which faces the Bank. In a competitive world, Clydesdale Bank is more competitive than ever before and is beginning to reap the benefits of the many changes that have taken place."

Sir Eric Yarrow, Chairman, Clydesdale Bank PLC



## FINANCIAL HIGHLIGHTS

	1991 £m	1990 £m
Operating profit before charge for bad and doubtful debts	92.7	80.5
Profit before taxation	64.0	70.2
Profit after taxation attributable to shareholders	42.2	44.3
Retained Profit	28.2	29.3
Capital Expenditure	26.6	20.9
Total assets at the year end	5,123.2	4,618.3

Copies of the Annual Report and Accounts are available on request from the Public Affairs Department. Telephone: 041 223 2554. Clydesdale Bank PLC, 30 St Vincent Place, Glasgow G1 2HL.

## Clydesdale Bank PLC



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Arrangers  
ABC International Bank plc - Credit Lyonnais Bank Sverige  
Svenska Handelsbanken

Agent  
Svenska Handelsbanken

September 1991

This announcement appears as a matter of record only.



## UK COMPANY NEWS

Pringle brand singled out as target for growth

## Dawson Intl declines 6% to £16m

By Daniel Green

FALLING SALES and tight margins in the UK and US depressed first half profits at Dawson International, the textiles and clothing group.

The Edinburgh-based company, best known for its Pringle and Ballantyne luxury clothing brands, experienced a 6 per cent fall in pre-tax profits to £16.2m in the six months to September 30.

Good performances from Pringle in the UK and Germany as well as volume growth from the US Associated Products operation underpinned turnover which totalled £217m (£214m).

Tight management and improved stock control cut working capital and contributed to reduced interest payments of £3.88m (£4.49m), but while the pre-tax line also benefited from falling interest rates, tax at 30.7 per cent (30.1 per cent) left earnings per share at 5.4p (7p).

The interim dividend is maintained at 3.9p.

Mr Ronald Miller, chairman, said: "For the rest of the current financial year it is expected that trading conditions will remain difficult."

The state of the UK business in particular was "unlikely to improve significantly in the short term."

Hardest hit domestically were the carpet weaving and furniture upholstery operations which were held back by slow sales in the depressed UK housing market.

The Pringle brand has been singled out as a target for growth with a £750,000 investment in new machinery. The product range will be expanded to include non-knit garments in skiing and marine sports. Launches are planned within weeks and the number of retail outlets in Germany is to be increased from three to 10 over three years.

Prospects for cashmere goods have been improved by price cuts and improved quality control from producers, especially in China. The cost of buying cashmere has fallen by up to 20 per cent and as a consequence the group intends to price its products aggressively in the second half of next year.

## COMMENT

Shareholders in Dawson could be forgiven for having a sense of déjà vu. While the results impressed some analysts

enough to edge their full-year forecasts higher, doubts remain. With half the group's business now being conducted in the US, much depends on conditions there. In the short term there are worries over high levels of bankruptcies among retailers in the US. There is also evidence of competitive pressures in cashmere goods; prices will be cut in this usually price-insensitive sector. The company, nevertheless, remains financially strong with falling gearing and good cash flow. This is reflected in a challenging p/s some 23 per cent above the sector average. Full-year profits should be close to £28m, but fortunes of the shares remain dependent on an economic recovery happening sooner rather than later.

## Institutions may oppose Cityvision agreement

By Norma Cohen, Investments Correspondent

SEVERAL OF Cityvision's institutional shareholders are considering opposing the board's agreement for the video rental company to be acquired in a £75m deal, saying that the terms do not adequately reflect the company's long term prospects.

Last Friday, Cityvision, the UK's largest video rental company, said it had agreed to be acquired by Blockbuster, the US video rental firm. And that Philips, the Dutch electronics giant, had an option to purchase a 50 per cent stake in the company if the deal is completed.

Blockbuster is offering 48p per share cash or to exchange each Cityvision share for one of its own worth 50p. Holders of the convertible preference shares are being offered 53p.

Cityvision's shares closed at 46p yesterday against 53p before the bid was announced.

Several shareholders said they not only doubted whether the bid valued the company properly, they also questioned the management generally.

Among other things, the shareholders said they had become disenchanted as repeated forecasts of a recovery in the company's fortunes failed to materialise. Also, they were annoyed that the company had failed to inform them that a bid had been agreed, although they had been told that talks were going on.

Shareholders also took a unfavourable view of the fact that the management's stake is only 0.06 per cent of the company.

Cityvision has forecast profits for the year of £5.5m, valuing the bid at 25 times earnings. The company is expected to slightly lower its forecast when the offer documents are released, making the deal even more attractive.

But institutions said they believed the bid had occurred at the trough of the company's fortunes and that it should recover sharply as the UK economy improves. For one thing, the bid is over 25 per cent of the UK home video rental market and has no serious competitors. Also, it has almost no debt.

Meanwhile, holders of the convertible preference shares, which are convertible into somewhat less than 10 per cent of total company, said they have no incentive to tender their shares. "We've had calls today from people who want to buy the convertibles," one broker said.

The convertibles pay an after-tax yield of 13.75 per cent until they mature in 2003 when they are redeemable at par. Those who surrender will only receive 83p, while those who hold on to their paper will benefit from the high yield and the higher credit rating the new owners will carry. Also, there is the chance to make a capital gain upon maturity.

## Williams faces a timetable problem over bid for Racal

By Richard Gourlay

WILLIAMS HOLDINGS may have to wait until the height of the Christmas festivities before learning whether it has won its hostile bid for Racal Electronics.

The Takeover Panel yesterday said the bid timetable should remain frozen until after Mr Peter Lilley, the trade secretary, had seen representations from interested third parties in the locks and safe businesses.

Mr Lilley called for these comments by November 29 when he gave Williams conditional clearance last week for its £655m bid. Williams will have to sell the Chubb locks and safes business, currently belonging to Racal, if it wins the bid.

Once the DTI is happy with undertakings, Williams is prepared to sign and Mr Lilley declares the bid will not be referred, the bid timetable will resume.

Racal will then have two more days before day 39 of the bid in which to make a profits forecast and produce its last defence.

Williams argued yesterday before the Stock Exchange executive committee that the bid should resume immediately. If day 39 falls on December 4, which now seems likely, the final

day for acceptances will fall on Boxing Day, 21 days later.

In these circumstances, it is likely that Williams would shorten the bid and make the last day on December 22 when institutional shareholders are more likely still to be at their desks.

Meanwhile, the two companies exchanged barbed statements following Racal's announcement last week that it will demerge the Chubb security division.

Racal accused Williams of exaggerating the level of its debts. The company said debt had been materially reduced from a pre-forma debt level of £225m it produced in July when Racal demerged Vodafone.

Williams said Racal was trying to ascribe a value for the demerged Chubb and the Racal rump which took no account of the debt.

The further delay in the bid will give Racal additional time to prepare its defence and its interim profits statement.

In the event that Mr Lilley has not ruled by December 4 that the offer will not be referred to the MMC, the panel will further review the offer timetable, it said.

## Ultramar reduces directors' compensation entitlements

By Michio Nakamoto

ULTRAMAR, the oil and gas production company, took another step forward in its defence against Lasso's hostile bid by announcing that it was reducing the compensation entitlements of its directors.

The changes, which follow the resignations earlier this month - with handsome pay-offs - of Mr John Darby, Ultramar's chairman, and two top directors in response to Lasso's bid, have come as Ultramar was criticised by institutional shareholders about the over-generous terms of compensation awarded to

its executives.

In a letter yesterday to shareholders, Mr Michael Beckett, acting chairman, said that all executive directors of the company have agreed that their contracts should be able to be terminated without compensation on three years' notice, rather than the standard City practice of five years' notice.

Directors would no longer be entitled to a severance bonus on the termination of their agreement by the company without due notice, but he would be entitled to such a bonus only on death, disability or

bona fide retirement on grounds of age.

It is one of the points in Lasso's attack on Ultramar which has struck a responsive chord in the City.

Mr Beckett said that there were a few other possible changes that he had been discussing with institutional shareholders although he would not specify what other changes might be introduced at Ultramar.

"I think I've been pretty radical in three weeks," he said. "I have a lot of ideas but I've got to knock Lasso off the perch first."

## National Power takes stake in Seaford

By Peggy Hollinger

NATIONAL POWER, the UK electricity generating company, has moved into the gas production market with the £7.2m purchase of a 25.9 per cent stake in an independent oil and gas producer and explorer.

The group, which was privatised in March, will be the largest shareholder in Seaford Resources Mr Colin Webster, NP's executive director, will become a non-executive member of Seaford's board.

Mr David Morrison, a director of County NatWest Wood Mackenzie, NP's financial advisers, said the acquisition would provide the generator with a valuable view of the seller's market.

Mr John Raitt, Seaford's chairman, said he was delighted with the investment. It would allow Seaford to pay down the debt incurred by the £15m purchase of a 5 per cent stake in the Victor gas field. Mr Morrison said NP had no intention of buying the whole share capital of Seaford.

## Dewhurst wins NatWest corporate contract

By Michio Nakamoto

DEWHURST, the clothing and toiletries company which recently acquired Simma, a womenswear manufacturer, from Coats Viyella, has won a contract to supply corporate wear for 48,000 staff at National Westminster Bank.

Although the value of the contract was not disclosed, Mr Tim Dewhurst, chief executive, said that the corporate clothing division expects to double sales of about £7m next year. The NatWest contract would play an important part in that, he said.

© The boards of Helene, the womens clothing manufacturer, and Leslie Wise, the textile merchant and clothing maker, announced that talks are taking place with a view to merging the two companies.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Allen & Unwin	1.85	Jan 31	1.6	-	4.9
City of London PR	1.04	Jan 17	1.04	-	3.08
Cropper (James)	0.975	Jan 17	0.975	-	2.9
Dawson Intl	2.9	Jan 22	2.9	-	9
Hewettson	1.97	Mar 31	1.6	-	4.49
JLI	1.51	Feb 5	1.43	-	4.3
Merridown Wine	1.51	Jan 17	0.888	-	6.222
Metro Radio	3.5	Jan 8	3.5	5	5
National Grid	9.5	Jan 8	8.7	-	5
Tunstell	3.2	Feb 11	3	5.35	5
Vibroplant	1.22	Jan 10	1.22	-	3.6

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock.

## US rescue for loss-making Bioplan

By Jane Fuller

BIOPLAN HOLDINGS, the private healthcare company, has been rescued by a US concern less than seven months after it raised £22.5m in a rights issue and four months after it moved up from the USM to the main market.

Hospital Corporation International is reversing into Bioplan, which had its shares suspended at 44p yesterday, giving it a market value of £19.3m.

The 2-for-1 rights issue in May was priced at 80p.

Bioplan also announced yesterday a pre-tax loss of £5.5m for the six months to September 30. Until July, a pre-tax profit of about £2m had been forecast for the full year, whereas the new management expects to take 18 months to turn the business round.

Mr Peter Townsend, Bioplan's founder,

resigned as chairman a couple of months ago. His son Richard is also expected to step aside as managing director as part of board changes.

The deal entails HCI's shareholders gaining initial control of 45 per cent of the enlarged group through a share issue, which values HCI at nearly £18m.

Bioplan pioneered the setting up of private medical facilities next door to National Health Service hospitals, with which it has partnership agreements.

Since joining the USM in March 1990 it has raised about £37m in two rights issues.

Mr Bob Nellist, Bioplan's new chairman, said the company had problems of "excessive growth". By the end of March, it would have 11 hospitals containing a total of 309 beds, two thirds of them less

than a year old.

At the end of September net debt stood at just over £14m, gearing of 33 per cent. To complete the building programme would cost nearly £5m. HCI is debt-free.

The interim results included a £908,000 operating loss (profit £1.07m) on turnover of £7.49m (£6.79m).

Exceptional costs of £4.3m are split between asset write downs of £2.3m and £1.3m of other items, including unspecified compensation to outgoing directors.

HCI, formed in 1989 to buy part of Hospital Corporation of America's international operations, made a pre-tax profit of \$5.17m (£2.92m) last year on turnover of \$14.4m. It will install Mr Dennis Sokol and Mr Ron Marston as vice chairman and managing director respectively.

## Rejig at Hawthorn may lead to Svenska takeover

By Roland Rudd

HAWTHORN LESLIE, the loss-making mobile communications and consumer products group, has agreed to a restructuring plan with its lead bankers which could result in the company being taken over by Svenska International.

The USM-quoted group, is to issue Svenska convertible stock in exchange for its

short-term borrowings being treated as long-term debt.

The final terms of the agreement have yet to be settled. Hawthorn's advisers said the debt instrument would have a life of at least 10 years.

If Hawthorn was not able to pay back the debt over an agreed period Svenska would assume control.

## JLI growth continues

JLI Group, the food processing and contract food distribution group which moved up to the main market just over a year ago, lifted profits from £967,000 to £1.14m pre-tax over the six months to September 30.

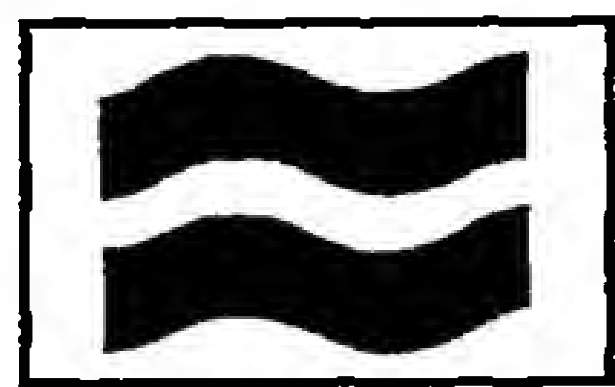
Turnover was down from £45.3m to £40.2m due to the decision to discontinue the international merchandising activities and further rationalisation in the contract food division.

Operating profits were

£1.78m (£1.92m); operating margins rose from 4.3 to 4.4 per cent. Interest charges fell from £964,000 to £517,000.

Mr Yoav Gottesman, chief executive, said the continued improvement in profits and margins reflected the strategic decision to focus on higher margin value added food processing activities.

Earnings per share rose from 3.2p to 3.9p and the interim dividend is raised from 1.45p to 1.5p on capital increased by last July's £7.7m rights issue.



**PORT OF  
TILBURY  
LONDON**

## Notice of Sale

Following the enactment of the Ports Act 1991 (the "Act"), the Port of London Authority hereby gives notice that it is seeking to dispose of the Port of Tilbury. Sale arrangements are being handled by the Port of London Authority's financial adviser, S.G. Warburg & Co. Ltd.

Under the provisions of the Act, the Port of London Authority will be offering for sale the entire issued share capital of Port of Tilbury London Limited, a wholly owned subsidiary company set up as provided for under Section 21 of the Act.

Potential purchasers wishing to receive a Confidential Information Memorandum on the Port of Tilbury should register their interest without delay at the following address:

S.G. Warburg & Co. Ltd.  
2 Finsbury Avenue  
London EC2M 2PA

Telephone 071-860 1090  
Telefax 071-860 0901

For the attention of Terence Keyes or Mark Perrett

Potential purchasers will be required to sign a confidentiality agreement prior to receiving the Confidential Information Memorandum. The statement of objectives of the sale will be made available to potential purchasers upon request.

November 1991

Issued by S.G. Warburg & Co. Ltd., a member of The SFA, on behalf of the Port of London Authority.

## Associated Energy

Associated Energy Services' shares have been temporarily suspended at 4p as the company's request pending shareholders' approval of reorganisation proposals. Mr John Broad and Mr John Mullarky, respectively chairman and managing director of Guardian Foundations, are joining the board of AES which is to acquire Guardian Foundations (Southern) from its parent.

**CANADIAN PACIFIC LIMITED**  
(Incorporated in Canada)  
**CANADIAN PACIFIC LIMITED**  
PERPETUAL 4% CONSOLIDATED  
DEBENTURE STOCK  
NEW BRUNSWICK RAILWAY COMPANY  
4% DEBENTURE STOCK  
CALGARY & EDMONTON RAILWAY  
COMPANY  
4% DEBENTURE STOCK  
In preparation for the payment of the half yearly interest due January 1 1992 on the above stocks, the transfer books will be closed at 3.30 p.m. on December 9 1991 and will be re-opened on January 2 1992.  
D.R. Kent  
Deputy Secretary  
65-67 Trafalgar Square,  
London WC2N 5DP  
November 21 1991.

**NOTICE**  
**TUNGSRAM CO. LTD**  
TUNGSRAM Co. Ltd's Extraordinary General meeting of November 7, 1991, resolved that the Company's issued share capital be increased by the issue of new shares of £1 each, to be known as the "New Shares". The New Shares will be issued in two tranches, the first tranche of 1,000,000 New Shares to be issued by December 31, 1991. After this date, all shares not withdrawn shall be deemed to be forfeited, and the Company will have the right to sell the New Shares issued instead of the forfeited shares. However, persons presenting shares already forfeited in this way will be entitled to the full value of the shares and normal interest of 20% accrued on such value from January 1, 1992, within the period of limitation provided by law. We draw the attention of our shareholders to the fact that the Law No. 202 of 1949 also applies to the shares of TUNGSRAM Co. Ltd. (formerly TUNGSRAM Co. Ltd.) and TUNGSRAM Co. Ltd. (formerly TUNGSRAM Co. Ltd.), according to which shares issued before January 1, 1949 are valid and enforceable - only if the provisions of this law are complied with. TUNGSRAM Co. Ltd.

November, 1991  
This announcement appears as a matter of record only.

# 'TORAY'

Toray Textiles Europe Ltd.

**Lease Financing**  
for the expansion of  
Polyester Fabric Production Facilities  
in Nottingham and Manchester

Lease provided by a subsidiary of  
**S.G. WARBURG & CO. LTD.**

Structured and arranged by  
**The Long-Term Credit Bank  
of Japan, Limited**





## BRENT WALKER CAPITAL LIMITED

(Incorporated with limited liability in Jersey)  
(the "Issuer")

## NOTICE OF MEETING

of  
the holders of the outstanding  
£103,345,673  
13 per cent. Convertible Capital Bonds due 2005  
of the Issuer  
(the "Bondholders" and the "Bonds" respectively)  
guaranteed on a subordinated basis byTHE BRENT WALKER GROUP PLC  
(Incorporated with limited liability in England)  
(the "Guarantor")

## NOTICE OF MEETING OF BONDHOLDERS

NOTICE IS HEREBY GIVEN that a Meeting of the Bondholders convened by the Issuer will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Thursday, 19th December, 1991 at 10.00 a.m. (London time) for so soon thereafter as the Extraordinary General Meeting and the separate General Meetings of classes of Shareholders of the Guarantor for the same date have been concluded or adjourned for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed by the Issuer and the Guarantor as an Extraordinary Resolution:

## EXTRAORDINARY RESOLUTION

THAT THIS MEETING of the holders of the outstanding £103,345,673 13 per cent. Convertible Capital Bonds due 2005 of Brent Walker Capital Limited (the "Bondholders"), the "Bonds" and the "Issuer" respectively) convened on a subordinated basis by The Brent Walker Group PLC (the "Guarantor") and constituted by the Trust Deed dated 20th November, 1990 (the "Trust Deed") made between the Issuer (1), the Guarantor (2) and L.D.C. Trustees Limited (the "Trustee") (3) as Trustee for the Bondholders:

RESOLVES THAT the introductory paragraph to Condition 17(A) of the terms and conditions of the Bonds be deemed to be amended with immediate effect until midnight on 31st March, 1992 so as to replace the reference to "one-quarter" with "one-half" and

## SUBJECT TO AND CONDITIONAL UPON:-

- The Special Resolutions and the Extraordinary Resolutions set out in the Notices convening an Extraordinary General Meeting and separate General Meetings of classes of Shareholders of the Guarantor as contained in the Notices of Meetings of Shareholders and Bondholders dated 22nd November, 1991 (the "Notices") being duly passed and becoming effective and
  - The Proposed Restructuring Agreement (as defined in such Special Resolutions) becoming effective and the Brent Walker Group PLC (as defined in the Listing Particulars of the Guarantor dated 22nd November, 1991 (the "Listing Particulars")) being allocated fully paid New Ordinary Shares and First Preference Shares pursuant to the Restructuring Plan described in the Circular to the Ordinary Shareholders and the Convertible Preference Shareholders of the Guarantor and the Bondholders dated 22nd November, 1991 (the "Circular")
- by midnight on 31st March, 1992
- provided that each such condition (if not already satisfied) shall be deemed to be satisfied, and so that thereupon this Resolution shall take effect, if the Trustee delivers a certificate that it is satisfied that upon or within five business days after this Resolution becoming effective all such conditions will in fact be satisfied, for which purpose the Trustee shall be entitled to rely on delivery to it of a certificate of two Directors of the Guarantor in the case of condition (i) and a certificate of the Trustee in the case of condition (ii).
- The exchange of the Bonds for Bondholders' New Securities as set out in the Circular, be and is hereby approved and sanctioned;
  - The deed supplemental to the Trust Deed (the "Supplemental Trust Deed") giving effect to amendments to the terms and conditions of the Bonds and the agreement (the "Supplemental Paying and Conversion Agency Agreement") supplemental to the Paying and Conversion Agency Agreement dated 20th November, 1990 between the Issuer, the Guarantor, the Trustee, the Paying and Conversion Agents (as defined in the Bonds) and the Registrar (as defined in the Bonds) be and is hereby approved;
  - The Trustee be and is hereby authorised and required to enter into and deliver:-
    - the Supplemental Trust Deed;
    - the Supplemental Paying and Conversion Agency Agreement; and
    - any other documents which the Trustee may consider necessary, desirable or incidental in connection with this Resolution or the said exchange; and
  - any breach by the Issuer or the Guarantor, as a result of the implementation of the Restructuring Plan described in the Circular or the arrangements contemplated thereby and by this Extraordinary Resolution, of the provisions of the Trust Deed, the Bonds or (in the case of Bonds in bearer form) ("Bearer Bonds") the coupons appertaining thereto, the Issuer's Articles of Association or the Deed Poll (as defined in the Bonds) shall be and is hereby waived and the implementation of the Restructuring Plan and the arrangements contemplated thereby or by this Extraordinary Resolution shall not constitute an event of default under Condition 17 of the terms and conditions of the Bonds or a breach of any other Condition or any provision of the Trust Deed, the Issuer's Articles of Association or the Deed Poll and every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders and the holders of the coupons appertaining to Bearer Bonds against the Issuer and the Guarantor involved in or resulting from the Restructuring Plan and the arrangements contemplated thereby and by this Extraordinary Resolution be and is hereby sanctioned and approved.
  - References in any part of this Resolution to the Proposed Restructuring Agreement or any document set out in this document as produced to the Meeting and initiated by the Chairman for the purpose of identification as modified (i) in such manner as the Trustee may approve and as is not materially prejudicial to the interests of the Bondholders or of a fiscal, matter or technical nature or to correct a manifest error (in the opinion of the Trustee), or (ii) as approved in writing by the holders of at least one-half in principal amount of the Bonds then outstanding.
  - Subject to (i) above, words and expressions defined in the Listing Particulars shall, unless the context otherwise requires, have the same meaning in this Resolution.

## FURTHER DETAILS

Copies of the Circular, the Notices of Meetings of Shareholders and Bondholders, the Listing Particulars, voting certificates and voting instruction forms are available for collection and copies of the documents referred to in the above Resolution (or parts thereof) subject to completion and attestation are available for inspection at the specified offices of the Principal Paying and Conversion Agent and Registrar and the other Paying and Conversion Agents set out below, but only on production of evidence satisfactory to the relevant Paying and Conversion Agent as to status as a Bondholder, and will be available at the Meeting on the same basis.

The Restructuring Plan, as it pertains to the Bondholders, provides for exchange of the principal amount of the Bonds outstanding two rate to the holdings of Bondholders (thereby) for (i) approximately 72.8 million New Ordinary Shares of 10p each in the capital of the Guarantor, (ii) approximately £21.4 million in nominal amount of Variable Rate Second Convertible Redeemable Preference Shares 2000-2007 of £1 each in the capital of the Guarantor and (iii) approximately £72.2 million in nominal amount of Variable Rate Convertible Subordinated Notes due 2007 of the Guarantor ("Notes") proposed to be issued under the Restructuring Plan. In two of each of the Bonds which are to be exchanged for the Bonds, the Issuer will pay to the Bondholders, in full, the interest on the Bonds which has accrued but not been paid. No fractions of a Note will be issued.

In accordance with its normal practice, the Trustee expresses no opinion on the merits of the Restructuring Plan (which is not involved in negotiating) or the Resolution contained in this Notice but has authorised it to be passed and it has no objection to the Resolution being submitted to the Bondholders for their consideration.

The attention of Bondholders is particularly drawn to the quorum required for the Meeting which is set out in paragraph 3 below. Having regard to such quorum Bondholders are strongly urged, if they hold Bonds in registered form ("Registered Bonds"), to consider and return the green form of proxy as soon as possible, or, if they hold Bearer Bonds, to take the action to be taken as set out in the Circular as soon as possible.

The Bondholders' New Securities will be allocated as of the date of implementation of the above Resolution. Bondholders' New Securities allotted in respect of Registered Bonds will be registered in the name of the relevant Bondholder as appearing in the Register (as defined in the Bonds) at the close of business on the 15th day prior to such date of implementation. Bondholders' New Securities allotted in respect of Bearer Bonds will be allocated as requested by the relevant Bondholder as a New Securities Form (as defined below) or, if a duly completed New Securities Form has not been returned as referred to in paragraph 1 below, the relative Bondholder's New Securities will be allocated to a nominee appointed by the Trustee (with the prior approval of the Trustee) to act on behalf of each such relative Bondholder. The attention of Bondholders is particularly drawn to the provisions required for the exchange of Bearer Bonds for Bondholders' New Securities, which are set out in paragraph 1 below. Holders of Bearer Bonds are strongly urged to complete and return a New Securities Form as soon as possible.

The exchange of Bonds for Bondholders' New Securities will be effected without service charge to the holder, but upon payment by the holder of any relevant taxes and duties in respect of such exchange.

Bondholders are reminded that Condition 4(D) of the terms and conditions of the Bonds provides that in case of non-compliance with certain provisions of Condition 4, a Bondholder shall not be entitled to attend any meeting of Bondholders nor to exercise any voting rights.

The Issuer and the Guarantor modified the Trustee on 12th March, 1991 and 6th June, 1991 of events of default under the terms and conditions of the Bonds, including the failure of the Issuer to make payment in full of interest due on the Bonds. These defaults are still continuing.

Default by the Guarantor in the performance or observance of any of the covenants (other than Condition 15(a) of the terms and conditions of the Bonds) or other terms of the Trust Deed constituting the Notes is not an event of default which gives rise to an entitlement to demand repayment of the Notes. The Trustee must, therefore, rely on contractual remedies to enforce the obligations of the Guarantor which may give rise to practical problems. Consequently, a number of the covenants commonly imposed on issuers in trust deeds concerning such matters as, for example, the supply of information, have been omitted.

Bondholders are also reminded that the Restructuring Plan as it pertains to them may give rise to obligations of disclosure under Part VI of the Companies Act 1985.

## VOTING, QUORUM AND EXCHANGE

1. **Bearer Bonds**  
A holder of Bearer Bonds wishing to attend and vote at the Meeting in person must produce at the Meeting either his Bearer Bond(s) or a valid voting certificate or valid voting certificate issued by a Paying and Conversion Agent relative to the Bearer Bond(s) in respect of which he wishes to vote.

A holder of Bearer Bonds (not wishing to attend and vote at the Meeting in person) may either deliver his Bearer Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give voting instructions to a Paying and Conversion Agent in relation to the Meeting.

A person holding Bearer Bonds through Broker or Coded (both as defined below) may, not later than 72 hours before the time appointed for holding the Meeting, request Broker or Coded (as the case may be) to procure the issue of valid voting certificates or the giving of voting instructions by the holder of Bearer Bonds to the person whom he wishes to attend on his behalf or to the Paying and Conversion Agent in accordance with the provisions in this paragraph 1. "Broker" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system. "Coded" means Centrale de Liquidation de Valeurs Mobilières S.A.

(a) To obtain valid voting certificates, Bearer Bonds must be:-

- deposited, before the time appointed for holding the Meeting, with any Paying and Conversion Agent; or
- held to the order or under the control of any Paying and Conversion Agent (to the satisfaction of such Paying and Conversion Agent), before the time appointed for holding the Meeting, by any other person approved by such Paying and Conversion Agent.

(b) To give voting instructions, Bearer Bonds must be:-

- deposited, not less than 48 hours before the time appointed for holding the Meeting, with any Paying and Conversion Agent; or

(ii) held to the order or under the control of any Paying and Conversion Agent (to the satisfaction of such Paying and Conversion Agent), not less than 48 hours before the time appointed for holding the Meeting, by any other person approved by such Paying and Conversion Agent.

together in each case with the voting instruction form referred to above.

Bonds deposited or held will be released at the conclusion of the Meeting or upon surrender of the voting certificate(s) to the Paying and Conversion Agent who issued the same or upon surrender, not less than 48 hours before the time for which the Meeting is convened, of the voting instruction form referred to above. If the Bonds are not released in accordance with the above provisions, the Bonds will be deemed to be deposited with the Paying and Conversion Agent to which such Bonds were surrendered.

Holders of Bearer Bonds may deliver to the specified office of the relevant Paying and Conversion Agent in respect of their Bearer Bonds (i) deposited or held as set out above, or procure such delivery of, a duly completed request for Bondholders' New Securities, in the form (for the time being current) obtainable from the specified office of any Paying and Conversion Agent, in respect of such Bearer Bonds.

If the New Securities Form and the relevant Bearer Bonds (together with any unreturned or unreturned (as provided in the terms and conditions of the Bonds) coupon appertaining thereto or an indemnity against presentation for payment of any such missing coupons in respect of an amount in pounds sterling equal to the aggregate face value of such missing coupons from such bank or other person and on such terms as the Issuer or the Guarantor may reasonably require) are held by or in the order or under the control of a Paying and Conversion Agent at all times from the date three complete business days in London and the place of deposit (that is, excluding the date of deposit) prior to the date the Trustee unconditionally delivers the completed Supplemental Trust Deed, the relative Bondholders' New Securities will be allocated as requested in such New Securities Form. Otherwise, they will be allocated to the name of a nominee (the "Nominee") appointed by the Trustee with the prior approval of the Trustee to act on behalf of each such relative Bondholder.

Bondholders' New Securities allotted to the Nominee will be transferred as requested on the relative New Securities Form not more than five complete business days, in London and the place of deposit, after deposit of the relative Bearer Bonds to the specified office of any Paying and Conversion Agent in accordance with the terms and conditions of the Bonds with a duly completed New Securities Form and any unreturned or unreturned (as provided in the terms and conditions of the Bonds) coupon appertaining thereto or an indemnity in respect thereof. While Bondholders' New Securities are held by the Nominee, the Guarantor will withhold any monies in respect thereof on behalf of the person entitled thereto and any voting rights shall be exercisable in respect thereof.

2. **Registered Bonds**

A holder of Registered Bonds not wishing to attend and vote at the Meeting in person may by an instrument in writing (hereinafter called a "Form of proxy") signed by that Bondholder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person as his or its proxy (hereinafter called a "proxy") to act on his or its behalf in connection with the Meeting. To be valid, the form of proxy must be delivered to the specified office of the Registrar set out below not less than 48 hours, or, alternatively, deposited at the specified office of the Principal Paying and Conversion Agent not less than 24 hours, before the time fixed for the Meeting. Any holder of a Registered Bond who is a corporation may authorise any person by resolution of its directors or other governing body to act as its representative in connection with the Meeting.

3. **Quorum**

The quorum required at the Meeting for passing the Extraordinary Resolution set out above is two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-third of the principal amount of the Bonds for the time being outstanding. If within 15 minutes of the time appointed for the Meeting the required quorum is not present at the Meeting, the Meeting will be adjourned (for such period, being not less than 14 days nor more than 42 days and to such place as may be appointed by the Chairman and approved by the Trustee) and the Extraordinary Resolution will be considered at such adjourned Meeting (notice of which will be given to Bondholders). The quorum required at such an adjourned Meeting is two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-third of the principal amount of the Bonds for the time being outstanding.

4. **Voting**

Every question submitted to the Meeting shall be decided in the first instance by a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or the Guarantor or by one or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-fifth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bearer Bond or voting certificate or a holder of a Registered Bond or a proxy or representative shall have one vote. A poll may be demanded before or on the declaration of a show of hands. On a poll, every person who is a present shall have one vote in respect of each £1 in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative or in respect of which he is the holder.

5. **Majority**

To be passed at the Meeting, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the persons voting thereon upon a show of hands or if a poll is duly demanded then by a majority consisting of not less than three-fourths of the votes given on such poll. If passed, the Extraordinary Resolution will be binding upon all the Bondholders, whether present or not at the Meeting and whether or not voting, and upon all holders of coupons relating to the Bonds.

6. **Miscellaneous**

All references in the "Meeting" in this "Voting, Quorum and Exchange" section shall include reference to the Meeting or, if applicable, any adjourned such Meeting, unless the context otherwise requires.

PRINCIPAL PAYING AND  
CONVERSION AGENTLloyds Bank Plc  
Register's Department  
New Section  
P.O. Box 1000  
2nd Floor Bole House  
80 Chancery  
London EC2V 6EX

## PAYING AND CONVERSION AGENTS

Morgan Guaranty Trust  
Company of New York  
Avenue des Arts 35  
B-1049 Brussels  
Belgium

## REGISTRAR

Lloyds Bank Plc  
Register's Department  
Claringdon  
Wokingham  
West Sussex RG40 3BBKreditbank S.A.  
Luxembourg  
45 Boulevard Royal  
P.O. Box 1108  
LuxembourgBy Order of the Board of Directors of  
Brent Walker Capital Limited  
K.G. Dibble  
SecretaryRegistered Office:  
16 Grenville Street  
St. Helier, Jersey  
Channel Islands.

Dated 26th November, 1991

THIS NOTICE IS IMPORTANT. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE IN RESPECT OF ANY ASPECTS OF THESE PROPOSALS THEY SHOULD CONSULT THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

ATTENTION IN PARTICULAR IS DRAWN TO THE DEFINITIVE PROPOSALS WITH RESPECT TO THE EXCHANGE OF THE BONDS CONTAINED IN THE CIRCULAR AND THE LISTING PARTICULARS AND TO THE DETAILS OF THE TAXATION IMPLICATIONS REFERRED TO THEREIN.

## UK COMPANY NEWS

Edbro board recommends  
'generous' French bid

By Roland Rudd

EDBRO, the tipper truck maker, yesterday announced its agreement to a bid from Marrel, the French transport company, which values the UK company at twice its worth on Friday night.

Marrel, which is anxious not to become involved in a contested bid, is offering 270p per share - against Edbro's closing price on Friday night of 140p. Edbro's shares yesterday rose 128p to 268p.

Barclays de Zoete Wedd, Marrel's adviser, yesterday bought 22 per cent of Edbro, whose directors plan to accept the offer in respect of their 0.9 per cent holding and have urged shareholders to do the same.

BZW said that while the price paid for the company was "generous", valuing it at £242m. It was 11 per cent more than its net asset value of 244p at the end of March 1991.

Net asset values tend to be valued more highly by continental than UK-based companies. Marrel is also offering a loan note alternative.

Edbro's profits recently fell sharply. For the year to March 1991 it made a pre-tax profit of £549,000 against £3.6m previously.

Mr Geoffrey Buckley, managing director, blamed the fall on the slump in the market for tipper trucks. In Edbro's last financial year the market was down 48 per cent and was 7 per

cent down on 1981-82 - the previous worst year for tipper trucks since the Second World War.

UK registrations for tipper trucks at the end of December 1990 had fallen from 10,759 to 6,355.

Mr Buckley said the company was convinced that the industry had reached the bottom of the recession.

Marrel's sales for the year to October 28 1990 were FF11.17bn (£120m), of which 29 per cent were outside France, and profits before exceptional items and tax were FF68.7m.

Marrel has little experience in hydraulic technology, which is considered one of Edbro's strengths.

Merrydown Wine dips  
slightly to £943,000

ECONOMIC and climatic reasons were offered by Mr Richard Purdy, chairman of Merrydown Wine, for the modest downturn in turnover and profits at this USM-quoted cider, wine and health foods group.

Pre-tax profits in the six months to September 30 1991 dipped below £1m to £943,000 (£1,000m) and turnover slipped to £8.1m compared with £8.13m last time.

Interest took £161,000 (£111,000).

Mr Roy Hooper, the former chairman, said in the annual report that sales in the first

four months had suffered under the weight of the continuing recession, increases in excise duty and VAT and by miserable weather in spring and early summer.

The outlook for the full year, Mr Purdy said, depended as always on pre-Christmas sales, consumer demand and post-Christmas restocking.

Earnings slid to 6.7p (9.25p) per share, but the interim dividend is lifted by an effective 12.5 per cent to 1p after July's 1-for-8 scrip issue.

McInerney  
incurs loss  
of £2.45m

McInerney Properties returned pre-tax losses of £2.45m (£2.29m) for the six months ended June 30.

Turnover amounted to £14.1m for the period.

For the comparable period of 1990 the Dublin-based company returned losses of £2.76m which included exceptional provisions of £2.5m, on turnover of £14.4m.

During the period the group completed its withdrawal from the UK commercial property market and also sold its interest in McInerney Contracting. Losses per share emerged at 3.83p (26.73p).

Brush stroke that painted  
a much brighter future

Ian Hamilton Fazey on changes at Lionheart

THE Newell Company of the US, the world's largest manufacturer of paint brushes, has paid nearly £2.5m for just under 5 per cent of Lionheart, the UK group with growing interests in home improvements, DIY, housewares and retail display equipment.

Although the transaction is small, it is significant because it signals the end of the reconstruction of Lionheart - better known by its former name of Spong.

Lionheart shares closed last night at 26½p, the price Newell paid for the 9.5m new shares.

Mr Paul Lever, the chief executive brought in from Crown Paints in 1989 to oversee the reconstruction, said yesterday that 21m of arrears owed to preference shareholders - all of them institutional - would be repaid shortly. He added that Lionheart would return to the dividend list in March after a three-year absence.

However, the Newell money is not being used for this. Lionheart will add cash from its balance sheet to it and buy another housewares business to strengthen its grip on that market.

This is based on the old Spong lines for kitchen and bathroom wares and utensils and bar accessories.

Brands now include Spong, Thorpe, Cheltenham and Pedrini and cover such items as oven-to-table cookpots, kitchen tools, wine coolers and glass storage jars. Spong's famous handle-driven meat mincers were sold to Salter's some years ago.

Mr Lever now claims market leadership in UK freezer accessories and a strong second place in microwave cookware.

In home improvement and DIY Lionheart owns Hamilton Acorn, a maker of paint brushes, rollers and other decorating tools. It claims 70 per cent of the professional decorators' market and 20 per cent of DIY.



Paul Lever - brought in to oversee reconstruction

Mr Lever's involvement in Lionheart is an indirect result of his failure to buy out Crown Paints from Reed International in 1986. He and the management during a rights and subscription issue in June 1989, started building a mini-conglomerate.

Within four months, Hamilton had been bought for £5m from the management buy-out team which had in turn acquired it from Permogen.

When Akzo, the Netherlands paint and chemical group, took it over in 1986, Acorn cost £5m from Williams 10 months later. Thorpe came in the same year.

Norank Murrell, a retail display manufacturer, was already part of the group, but too small to do much with. Lionheart therefore bought Spong - a design-manufacturer display business - for nearly £5m and absorbed its existing business into it.

The result is expected to be £60m turnover for Lionheart in 1992, the first full year for the group in its present shape with analysts at BZW and Sharps forecasting about £5m of profit.

The same analysts are predicting £3m profit on £30m in the current year.

## Standard Chartered

## Standard Chartered PLC

(Incorporated with limited liability in England)

£150 million Subordinated Floating  
Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the three month period from 22nd November 1991 to 24th February 1992 the Notes will bear interest at the rate of 10.85 per cent per annum.

Interest per £5,000 Note will amount to £139.33 and will be paid for value 24th February 1992 against surrender of Coupon No 23.

Chartered WestLB Limited  
Agent BankWOOLWICH  
BUILDING SOCIETY£200,000,000  
Floating Rate Notes  
Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month period from 22nd November 1991, to (but excluding) 24th February 1992, the Notes will carry an interest rate of 10.75 per cent per annum. The relevant interest payment due will be 24th February 1992. The coupon amount per £10,000 will be £279.30 payable against surrender of Coupon No 24.

Hambros Bank Limited  
Agent Bank



## COMMODITIES AND AGRICULTURE

## Opec ministers likely to keep oil production high

MINISTERS OF the Organisation of Petroleum Exporting Countries gathered yesterday for a key strategy session likely to end with a promise to keep oil production high and crude prices steady through the winter, AP reports from Vienna.

Mr Ghanjdar Kartasasmita, the Indonesian oil minister said the 13-nation cartel should stick to its current level of output in the January-March period.

"It will probably be wiser just to maintain the present level of production," he said shortly after arriving in Vienna for Opec's winter conference.

He estimated the group's crude supply at 23.7m barrels a day - the production ceiling

set for the October-December quarter.

The Middle East Economic Survey, published in Moscow, Cyprus, reported that Saudi Arabia would probably seek an increase in the output ceiling to meet higher demand for oil in the January-March quarter.

It said the Saudi Arabians projected demand of more than 25m barrels a day in the first quarter of 1992.

With Saudi Arabia in the lead, the Opec nations have been pumping as hard as they can to cover demand from the US and other oil-consuming countries.

Iraq and Kuwait have been on the sidelines since the Iraqi invasion in August 1990. Kuwait has resumed small amounts of production, but

Iraq's oil remains embargoed under United Nations sanctions.

Mr Jibril Aminu, the Nigerian oil minister said that the cartel might be pumping more oil than was needed.

"I think there is a bit too much oil for the [winter] season," he said.

Despite strong production, crude prices have held fairly steady, although they are under the cartel's target of \$21 a 42-gallon barrel.

The average price of a basket of crudes monitored by Opec was \$15.74 a barrel last week, down from \$16.58 in the previous week. Prices for US and European light sweet crudes are usually about a dollar or two higher than the Opec average.

## Full output delayed at Dubai smelter

By Kenneth Gooding, Mining Correspondent

OUTPUT FROM Dubai Aluminium Company (Dubal) will not reach its 240,000 tonnes annual capacity this year - not because of present poor market conditions but because production is still being built up following the expansion programme completed in October, 1990.

However, Mr Ian Livingstone, chief executive, says Dubal will produce more than 240,000 tonnes next year.

He points out that the company gains some protection from present depressed London Metal Exchange aluminium prices - which have fallen to their lowest-ever level in real terms - by "selling forward to reliable customers".

Dubal last year produced a record 174,251 tonnes of aluminium, 66 per cent of it for Japanese consumers.

The \$300m development programme, completed ahead of schedule and including a fourth pitline at the smelter, was managed by Dubal itself and financed by its customers.

Dubal will now draw on this experience to provide technical know-how and management for the \$1.5bn Almadhi aluminium smelter to be built just across the Gulf at Bandar Abbas in Iran.

Dubal is associated with the Dubai-based International Development Corporation which is constructing the Iranian smelter and has a 40 per cent interest in Iranian partners under the control of that country's Ministry of Mines and Metals, own the other 60 per cent of the Almadhi company.

Start-up of the 350,000-tonnes-a-year aluminium smelter is scheduled for July 1994. "It is a tight timetable but I believe we can do it," says Mr Livingstone. He points out that Dubal, owned by the Al Maktoums, the family of sheikhs which rules Dubai, also started on a greenfield project in 1979.

Aluminium smelter projects in Venezuela and Iceland have been delayed recently because of the turmoil caused by an unexpected tripling of exports of the metal this year from the former Soviet Union. But the Almadhi smelter project is an important part of Iran's reconstruction and industrialisation programme, which aims to encourage foreign investment and joint ventures. Development is therefore very unlikely to be held back by aluminium market pressures, says Mr Livingstone. Dubal also stands to benefit from a \$1.5bn plant to produce aluminium, the raw material for aluminium, Iran wants to establish by 1996 with technical help from Czechoslovakia.

## Modern farming concern 'misconceived'

By Bridget Bloom, Agriculture Correspondent

A VERY large part of the criticism that modern farming is inimical to care for the environment is unsubstantiated and much public concern therefore misconceived, according to a new report on British agriculture.

The report is the result of a study suggested by the Prince of Wales, himself a farmer and a noted believer in organic farming, as such it seems set to fuel the controversy over "modern" and "green" farming.

The authors, led by Sir Derek Barber, former head of the Countryside Commission,

declare firmly that the future of farming in the UK, as in the EC, must lie in reforms that bring it more firmly into line with market forces.

Although farmers must be given time to adjust to declining subsidies, perhaps through "redeemable bonds", agriculture must be "competitive, efficient, profitable, technologically advanced and environmentally sensitive".

Organic or extensive farming, which eschews the use of chemical fertilisers or pesticides, may provide some farmers with access to a "niche" market but the conse-

quences of its extension to agriculture as a whole would be severe, resulting in a decline in both production and profitability.

Indeed, the study group concludes that more intensive use of land in agricultural production may have to be considered in future.

Although the report emphasises the importance of the environmental care of farmland, it notes that most farmers practice this already. It insists that all environmental aids "must be most firmly uncoupled from agricultural policy mechanism". Only a

more market oriented system can achieve such aims, the report says.

The initial reaction from conservation groups to the report was hostile. Friends of the Earth said: "A genuine opportunity to build on the real consensus between many farmers and environmentalists has been hijacked to deliver a familiar polemic in praise of agribusiness and agrochemicals".

The State of Agriculture in the United Kingdom, Royal Agricultural Society of England, Stoneleigh, Warwickshire, CV9 2LZ, Price £10.

## Malaysia steps up demands for reform of rubber pact

By Lim Siong Hoon in Kuala Lumpur

AS RUBBER prices weakened without any sign of buffer support in the international markets during the past month, Malaysia raised the stakes in the looming confrontation between consumers and producers over the future direction of the International Natural Rubber Agreement.

In a fresh warning to consumers at the weekend, Mr Lim Keng Yik, Malaysia's primary industries minister, said that producers would themselves restrict supply if buyers headed up to depress prices.

The warning followed Loro's failure last October to agree on an early start to renegotiating the second International Natural Rubber Agreement.

Since then Loro's indicator prices have fallen by four Malaysia/Singapore cents, or two per cent, below the lower intervention, or "may buy", level of 176 cents a kilogram.

With prices hovering at that level for nearly two years, Loro's buffer stock system has been the target of sharp criticisms from producers for the little that has been done to support prices.

Producers have avoided directly blaming the buffer stock manager, a consumer-member appointed from the US. But Mr Lim has accused the US, in particular, of stalling the efforts at early renegotiations, an issue which has also left Loro without any financial provisions to operate its Kuala Lumpur-based secretariat next year.

However, approval for funding now looks likely: a Malaysian official has indicated that the budget would no longer be tied to renegotiations, so leaving the issue until next year.

In his latest criticism, Mr

WORLD DEMAND and prices for natural rubber will rise steadily through the rest of the decade, according to Dutch economists Mr Hilde Smit and Mr Kees Burger, reports Reuter from Yaounde, Cameroon.

Speaking at a meeting of the International Rubber Study Group, they said consumption of natural and synthetic rubber would first drop slightly to 3m tonnes a quarter but then surge to 3.75m tonnes a quarter by the year 2000.

Natural rubber prices should rise from the current level of 1.5 Singapore cents a kilogram to 180 cents in 1993 and 230 cents in 2000, they projected.

The projection for world demand excluded eastern Europe and the former Soviet Union, where consumption was expected to increase from 550,000 tonnes a quarter in 1990, although this would still be less than 1988 consumption levels in the region.

The forecasts were based on a detailed analysis of demand for vehicles and tyres, and assumed the current world economic recession would end next year.

Mr Smit and Mr Burger expected the International Natural Rubber Organisation's buffer stock to buy up to 40,000 tonnes of rubber this year, which could not be sold until 1997.

"Prices are so unpredictable in the medium run, that any buffer stock agreement that has reasonable limits to its resources cannot be expected to reduce instability to a significant extent," they said.

With supply and demand increasing, producer countries would lose more when prices were lowered by buffer stock sales than they would gain in extra earnings when stock purchases raised prices, they added.

Lim accused the five largest tyre manufacturers, which he said bought nearly 70 per cent of the world's natural rubber, of collusion over prices.

As a result, he said, other producers were coming round to accepting the proposal to establish production limits because Malaysia remained sceptical about the reliability of Loro's price support role.

Malaysia has adopted as fundamental its position that there should be early negotiations on Loro II, whereas consumer countries say this is "premature". Loro II expires in December 1993 and can be extended for another two

years. Malaysia has no wish to prolong the life of Loro II, and its officials interpret the present delay as a consumer ruse because the low rubber prices weaken their bargaining position.

Some consumers appeared to have taken seriously Mr Lim's threat to establish voluntary production limits. But there are also doubts whether such a plan could be workable because of differing priorities among producers and because rubber, unlike oil, is not of enormous political and economic significance to consumer countries.

## WORLD COMMODITIES PRICES

## MARKET REPORT

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## LONDON MARKETS

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# CHANGES TO THE LONDON SHARE SERVICE

## New look for the FT's prices pages

FINANCIAL TIMES

### A note from the Editor

The new London Share Service pages, which can be found in their usual place at the back of the newspaper, are the fruit of the FT's efforts to provide the clearest, most comprehensive service of stock market information.

The most important change is the shift from our traditional classification of companies to one based on the sectors used for the FT-Actuaries All-Share Index.

This decision was not taken lightly. It is a change of the kind that readers will find it inconvenient at first to search for the names of their shares, rather than turning immediately to the familiar places.

But the pressure from readers for a reorganisation of categories had become intense, and the old Industrials (Miscellaneous) category had become a serious handicap as it grew to contain more and more unlikely bedfellows.

The new sectors are smaller, more consistent and more relevant to the industrial structure of the late 20th century. Because of their use in the FT-Actuaries Index, they already represent the categories in which the City thinks of companies; we hope they will come to be seen as second nature by all our readers.

The planning of this change represented a considerable feat of research and organisation on the part of the FT Statistics department, led by Adrian Dicks. The new, much clearer typography of the columns is the work of David Case, the FT's design director. I would be very interested in hearing readers' comments once the new layout has had time to establish itself in practice.

Richard Lambert

**Inside this four-page pull-out section:**  
All securities covered by the FT's London Share Service, listed according to the old classification but showing the category where each will appear from now onwards.

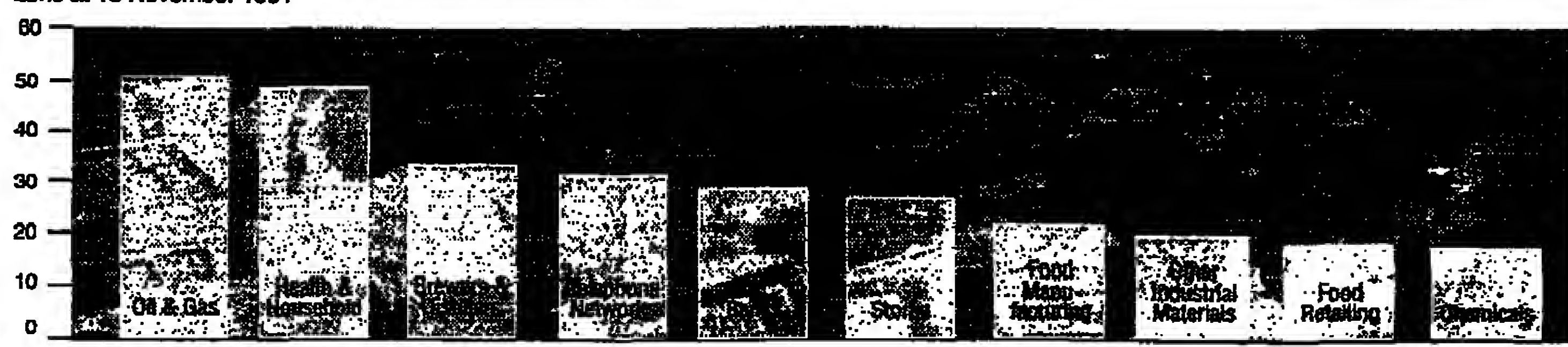
Changes to the Financial Times' London Share Service have usually been gradual rather than radical. The reorganisation of the pages which we introduce today is at first sight an exception. The London Share Service on the last pages of the FT - have been given a new typographical design. The traditional categories into which companies are grouped have been overhauled. New signposts to readers have been planted. Yet continuity has been maintained: no significant data currently published will cease to appear, although the frequency with which some items will be shown will change between Mondays and other days.

Today's modifications have been carried out for two compelling sets of reasons. First, much has altered over the past decade in the way companies organise their business, in the perception by investors of different sectors of the economy and, not least, in the nature of the London stock market itself.

Important in themselves, these changes have prompted large numbers of FT readers to put forward - sometimes bluntly - their own ideas about how they would like us to present the London Share Service. Letters from our readers, and the responses to a programme of research carried out at the end of last year, have left us in no doubt about the directions in which users

### Market capitalisation of key sectors

£bns at 13 November 1991



Source: Datastream

of the service want it to grow. The FT's objectives in reshaping the London Share Service have therefore been to respond to a rapidly changing financial landscape and to remedy the shortcomings most urgently felt by readers, whether they were looking at the newspaper at home or using its stock market information in a professional capacity.

The new design provides a clearer and, we hope, more legible presentation of company names and price data, and offers a more logical arrangement of the information contained in each line.

Company names now appear at the start of the line, making it easier for readers to find the stocks in

which they are interested. The year's high and low prices for each stock have moved further to the right, where they can be more conveniently compared with the current price, the day's or week's change and with the financial ratios calculated by the FT. The vertical rules that have been used to separate the individual columns of figures have been made redundant in a design that uses the alternation of light and bold type to distinguish the data.

FT readers also want to see daily the market capitalisation of each stock listed - the value, measured at the end of each trading day, which investors place on a company. Hitherto, this calculation has appeared only once a week, on Mon-

days. Yet a single day's trading activity can raise or lower a company's worth by millions of pounds. In order to show market capitalisation daily, two less frequently changing figures will now appear only on Mondays, rather than every day. These are the latest published dividend, and the dividend cover - a vital measure of how much of its profits a company can actually afford to pay out to its shareholders.

A fuller explanation of all the information shown daily and in the Monday edition appears on the back page of this pull-out section.

A third need expressed by readers has been that we should bring up to date the headings under which stocks are grouped. Some of the old

categories now seem quaint - Shoes and Leather, or Foreign Bonds and Rails. More serious, as the entries in these groups have dwindled, companies have collected in unwieldy numbers in the big, catch-all categories, for example Electricals and Industrials (Miscellaneous).

As we looked for alternatives, an obvious question arose: Why have categories? Why not a simple, alphabetic listing? There would be no difficulty about where to find stocks, and there would be an end to arguments and special pleading about how to classify companies.

Yet FT readers have shown no liking for that approach. Our obvious choice was to adopt the classification system long used

for the FT-Actuaries All-Share Index - the most sophisticated set of measurements that exists for UK stock market performance. As well as taking advantage of this through the weekly Leaders and Laggards table, readers can now follow the daily progress of individual stocks among their closest competitors. The next two pages of this special section show where each company in the old classification appears in the new.

Finally, readers will notice a black square in front of the names of many well-known companies. This allows users of the London Share Service to glance at the stocks in which dealings are consistently liquid. The black square companies include all the UK stocks in which prices are continuously reported by market makers through the London Stock Exchange Automated Quotation (SEAQ) system. Also included are the several hundred non-UK stocks regularly traded in London which enjoy a firm quotation on the SEAQ international system, and which now account for a large slice of the London Stock Exchange's business. Without the help of those who use our statistical coverage, the FT's task would have been considerably more difficult. We regret that we have not been able to adopt all the good ideas received.

Adrian Dicks

Adrian Dicks is Manager, FT Statistics.

## How the FT-A classification is decided

The new organisation of the FT's London Share Service pages reflects the industry groupings used in the FT-Actuaries All-Share Index since April 1982.

The definitions of these industry sub-groups can only be kept up to date by constant surveillance. The speed of change has been much faster than might have been expected, as individual companies change the nature of their activities. With roughly 700 companies in the All-Share index, the number of companies moved from sector to sector each year has rarely been less than five and in 1985 was 32.

Changes are made in the industry group definitions as industries decline and as completely new industries appear. The first such change was typical: in 1967 a food retailing sector was separated from the old food manufacturing group to accommodate the new supermarket companies. Industry groups that have disappeared include Machine Tools in 1977 and Hire Purchase in 1981.

Considerable effort is put into making industry groups distinctive in investment terms. The aim is to satisfy the requirement that as far as possible the companies' share price movement within each

group will be similar as they react to economic change.

If all companies only did one thing this task would be straightforward. In practice, they diversify, so the classification has to select the major influence. This could be based on an analysis of capital employed, turnover or profits. The All-Share classification has always preferred to use profits as the yardstick.

Overall supervision of the FT-Actuaries share indices is carried out by the Joint Index Committee of the Institute of Actuaries and the Faculty of Actuaries on which there is a representative of the FT. Clas-

sification is supervised by the quarterly meetings of the Joint Classification Sub-Committee, which includes representatives of the FT and the Society of Investment Analysts. The Sub-Committee is always pleased to hear from users of the index classification, particularly companies and their brokers.

Any change to a company's classification is decided after careful consideration and full consultation with the company. In many cases companies move gradually from one industry bias to another and the change of classification is only made after audited figures demonstrate the change in the

distribution of profits.

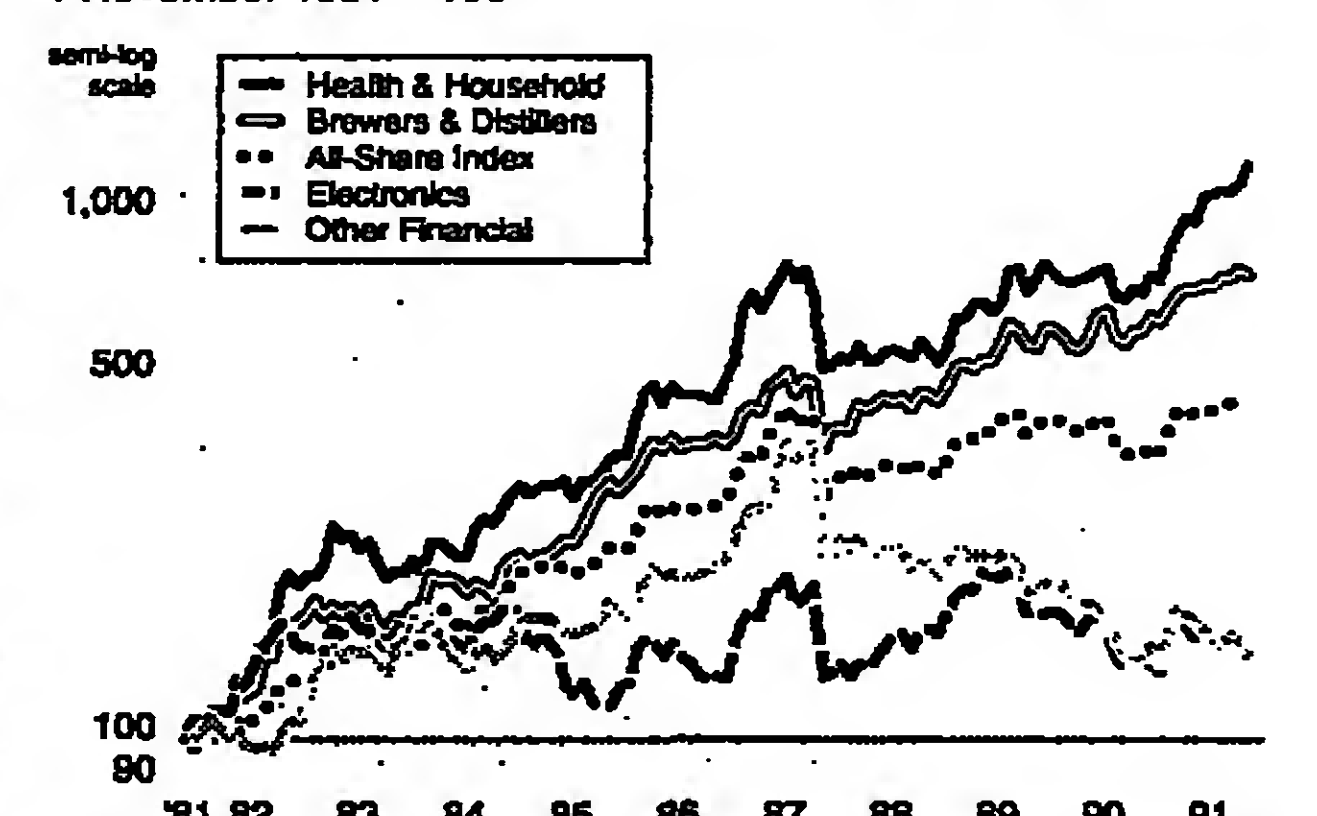
Research analysts and institutional investment advisers have based performance analysis on the All-Share industry groups for some time. The classification sub-committee welcomes wholeheartedly the Financial Times's decision to use these groupings for its company share price listings.

Richard Pain

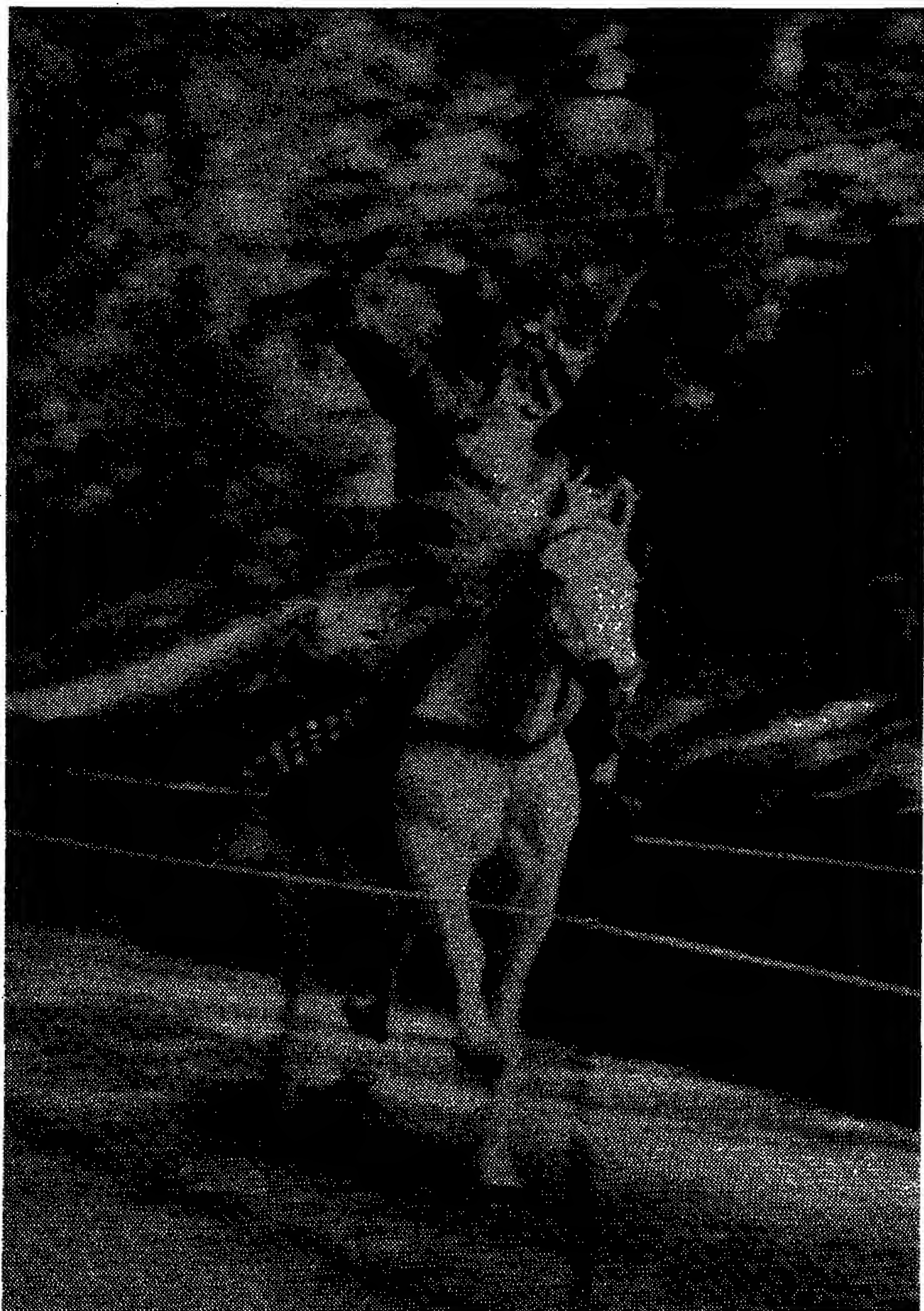
The author is chairman of the Joint Classification Sub-Committee, of which the secretary is John Brumwell of Prudential Portfolio Managers, 1 Stephen Street, London W1P 2AP.

### Best & worst performing sectors

1 November 1981 = 100



Source: Datastream



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## LEISURE

**Traditional Options**  
Traditional Options will appear under the London Traded Options table



## CHANGES TO THE LONDON SHARE SERVICE

A lot of facts are crammed into the London Share Service of the Financial Times, both in the normal Tuesday-Saturday version, and in the slightly different version on Mondays.

Let us take the Tuesday to Saturday pages first. The first thing to look for is whether the company has a symbol before its name.

If a black square appears before the company name, that is a sign - in the new format - that the share is traded actively. In other words, you should find it easy to buy and sell shares in the company.

A Maltese cross before the company name signifies that it is quoted on the Unlisted Securities Market (USM), which has slightly less strict rules than the main market. On average there is less trading in USM stocks, although there are plenty of small and inactive stocks on the main market as well. This may make it less easy to buy and sell shares. A heart symbol indicates a stock not officially listed in the UK.

The notes are largely designed to point out any individual "quirks" that affect a company's earnings or dividends.

The share price quote is not quite as straightforward as it might seem. It is in fact the average (known as the mid-price) of the best buying and selling prices quoted by the market-makers taken at the 16.30 close. So a share which a market-maker would buy at 98p and sell at 102p would have a mid-price of 100p.

Do not assume, therefore, when you call your stockbroker that the price you quote is the price you will get. The buy-sell spread will reflect the scale of your order and the size and perceived riskiness of the company concerned. For example, last Thursday lunchtime, Marks and Spencer shares were trading at 252p-254p, a spread of less than 1 per cent, while Ratners' shares were trading at 44p-48p, a spread of almost 10 per cent.

If the letters "xd" follow the price, this means that a dividend has recently been announced, but that those who buy the shares will not be entitled to receive it.

The plus or minus column shows the change in the mid-price from one day to the next. The high and low prices are not based on closing prices but on the highest or lowest price touched at any point in the trading day.

The market capitalisation, which we are now including

Philip Coggan provides a private investor's guide to the data in the FT's new share price listings

## Facts behind the daily figures

The following data will be shown Tuesday to Saturday:

Indicates one of most frequently traded stocks		Market capitalisation for time of stock quoted		Price/earnings ratio	
Company name, abbreviated where necessary	Symbol to indicate dividend status	Latest price and xd status	1991 high low	Mkt Cap/£m	Yld Gr's
Brit Petroleum	Price £	315½ xd	361 295	17,011	7.0
Brit Gas	Notes	318½ xd	361 295	17,011	7.0
Brit Gas	Notes	318½ xd	361 295	17,011	7.0

Symbol to indicate listing status where necessary

Different data will appear on Mondays:

Price change on week	Dividend cover	Last ex-dividend date
Notes	Price £	Wk% Change
Brit Petroleum	318½ xd	-6
Brit Gas	318½ xd	-6

every day except Monday, is an indication of the stock market valuation of the company. It is calculated by multiplying the number of shares in issue by the share price.

However, the figure we calculate is based on that particular class of share capital only. Where there is more than one class of share, add them together to work out the total market capitalisation.

The "Yld Gr's" in the next column stands for gross yield, the relationship between the dividend and the share price. Companies pay dividends net (after basic rate income tax) but since there are many individuals and institutions who can reclaim the tax, the yield is calculated on a gross (before tax) basis.

A share with a 5 per cent yield might seem more attractive than one with a 4 per cent

yield, just as a building society account that pays a high rate is more attractive than one that pays a low rate.

There are plenty of occasions, however, when this is not the case. Generally speaking, higher yielding shares fall into two categories. They may be companies in "mature" industries with little growth potential, where they can afford to pay out most of their earnings to shareholders rather than reinvest in the business.

Alternatively, high-yielding stocks are often companies where the market believes that the past dividend may not be maintained. For example, a company which paid a gross dividend of 10p last year would be on a historic yield of 10 per cent, if the share price were 100p. But if the company was expected to halve its next

dividend payment, the prospective yield would be 5 per cent.

The final column shows the p/e or price-earnings ratio. This is the relationship of the company share price to its profits. It is calculated in two stages. First all outside claims (such as tax) are deducted from profits; what is left is divided by the number of ordinary shares in issue to get the earnings per share.

The share price is then divided by the earnings per share to get the price-earnings ratio. This presents a rough guide to how "expensive" a share is, but a share with a low p/e is not necessarily better value than one with a high p/e. Companies with high p/e's are generally expected by the market to show faster earnings growth than those that have low p/e's. If a company's earnings are expected to double, its

prospective p/e (the p/e based on future profits) will halve.

For investment trusts, the Tuesday-Saturday pages will show estimated net asset value (NAV) and the discount or premium instead of gross yield or the price-earnings ratio.

In most cases, investment trust shares stand at a discount to the net asset value. As a consequence, those rare trusts which stand at a premium to assets are given a minus sign.

The capital shares of split level trusts stand at very large discounts because of the risk that they might eventually prove worthless (other classes of shares have first claim on the assets of the trust).

The Monday editions concentrate on information which changes infrequently. For shares, the weekly percentage change in price is shown, instead of the daily movement in price.

The after-tax dividends paid in the company's last full financial year are shown in the column next to the weekly change. Given the recent trend to dividend cuts, investors should look for the double dagger sign which indicates that the interim dividend has been cut in the current financial year. A single dagger indicates an increased interim dividend.

"Div cov", which stands for dividend cover, is calculated by dividing the gross dividend per share into the earnings per share. This indicates how "safe" the dividend is from future cuts. The higher the figure, the more scope the company has to maintain its dividend if profits fall. Of course, if dividend cover is too high, shareholders might complain that the company is being mean with its payouts.

The next column across will show the months in the year when dividends are actually paid. Normally this will be twice a year, but an increasing number of companies, particularly those also listed in the US, pay quarterly. The "last" column shows the last date on which a share went ex-dividend. Normally this will be a day and month (30.9 means September 30 1991) but if the company has not paid a dividend for some time, the date could show month and year (for example 5.89 for May 1989).

The final column, Cityline, shows the FT service you can call to discover the late price of each share. Call 0800 414 191, followed by the four digits shown in this column. Calls are charged at 36p per minute at cheap times and 48p per minute at all other times.

## A closer look at the numbers and tables

### Earnings formula

In order to explain the basis used in computing earnings figures used in the London Share Service, it is necessary to outline the general policies associated with the treatment and application of earnings calculations under the UK imputation taxation system.

Because of the ability of companies partially to offset tax payable on dividend distributions (advance corporation tax) against mainstream corporation tax, calculations of earnings are made in three ways in order to illustrate the impact on individual company accounts. The higher the UK corporation tax, the more can be either directly clawed back or potentially offset by way of ACT.

Conversely, a company that derives most of its profits overseas and, therefore, incurs a large foreign tax bill relative to UK corporation tax can only offset tax payable on dividends up to 25/34ths\* of the UK element. This situation results in many instances where the servicing of dividends incurs a gross cost instead of the more normal net cost.

The three methods of calculating earnings are: (A) "Nil" distribution; (B) "Net" distribution; and (C) "Maximum" or "Full" distribution. In all cases a start is made by taking profits after corporate tax as disclosed in individual company accounts and making adjustments above the line for items which are considered to be of an exceptional or non-recurring nature.

The "nil" method, as implied, assumes no distribution of profits is made. Earnings therefore, are calculated on the post-tax profit.

The "net" method is effectively the net dividend cost plus retentions reduced by any element of unavailable ACT.

The "maximum" method is based on the post-tax profit plus the maximum amount of ACT that could be offset against corporation tax in the event of a notional total distribution of profit by way of dividends.

As indicated above, this at present amounts to 25/34ths\*, being the current basic rate of income tax over the current rate of corporation tax.

### Price/earnings ratio

For the purpose of calculating price earnings ratios, the "net" distribution method is used. This is arrived at by the division of the net earnings per share into the market price. Where a 10 per cent or greater difference would have occurred if the "nil" basis had been applied, p/e figures are bracketed.

### Yield calculation

Latest "gross" dividend multiplied by 100 and divided by closing price. Dividends used are the latest annual dividends with the tax credit added. To find a "gross" dividend you should simply divide the total net annual dividend by 0.75.

When a company announces an interim

SO - ARE WE BROKE ON A 'NIL', 'NET', OR 'FULL' DISTRIBUTION BASIS?



or final dividend the value of the net dividend is deducted from the closing price until the xd date before calculating the yield and price/earnings ratio.

### Dividend cover

The "maximum" distribution method gives the best indication of a company's dividend paying ability, so dividend covers are found by dividing the gross dividend per share into the maximum earnings per share.

### Investment trusts

For investment trusts, net asset value per share and the discount or premium to current price are shown instead of p/e ratios and dividend cover. These figures are supplied by County NatWest Wood Mackenzie and are the result of a daily simulation of changes in portfolio values. Prices used for the simulations are taken at about 16.30 and may vary from the published closing mid-prices taken at 16.30.

### Deletions

A stock will normally be removed from the London Share Service in the following circumstances:

- If the FT cannot obtain a consistently satisfactory price for the company's shares.
- If FT Statistics does not receive regular and adequate financial information during any period of 12 months.
- In the event that a company is taken over by, or merges with, another company.

\*Subject to change in UK tax legislation.

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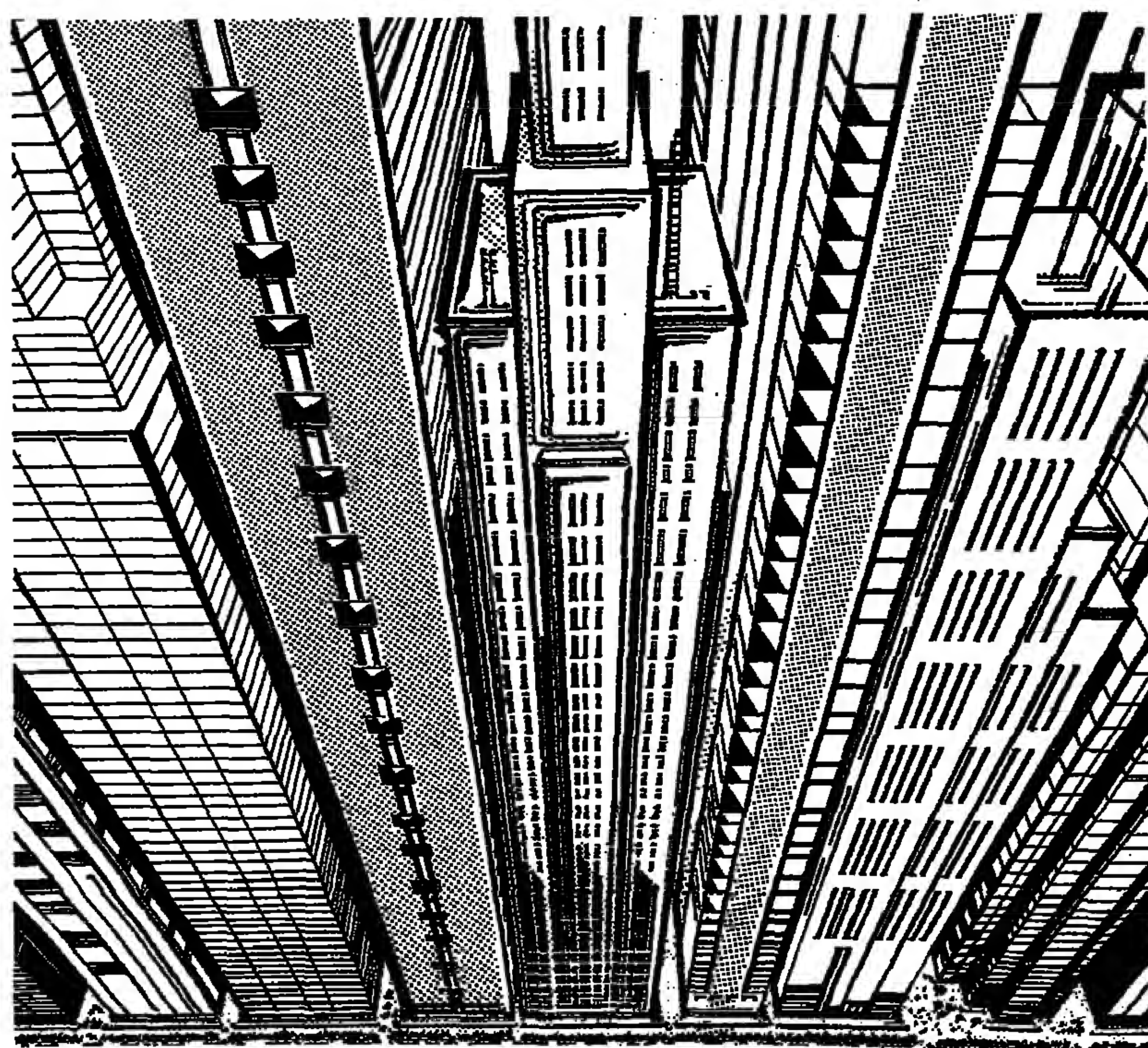
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## LONDON STOCK EXCHANGE

## Volatile trading session for equities

By Terry Byland, UK Stock Market Editor

THE FOREIGN exchange markets took over from Wall Street as the dominating factor in the UK stock market yesterday. Equity weakness in New York and Tokyo provided a poor backdrop but it was the continued slide in sterling against the German mark that drove UK shares down at first, and the pound's recovery that inspired an abrupt upturn at mid-session.

The UK press dwelt heavily at the weekend on the political pressures which unsettled sterling towards the end of last week and uncertainty was fuelled by criticism of the UK Government's policies towards Europe by Mrs Thatcher, the former UK prime minister.

Concern over the UK economy as the market's latest survey of opinion from the Con-

Account Dealing Dates		
First Dealing	Nov 25	Dec 9
Optim Dealing	Nov 25	Dec 25
Last Dealing	Nov 25	Dec 27
Account Day	Dec 2	Jan 6

federation of British Industry (CBI) gave little support for hopes that the recession is lifting. The CBI appeared to be more pessimistic than the UK Treasury.

Equities opened lower and quickly extended their losses to around 15 points on the FT-SE scale as sterling fell towards the DM2.34 level. Dealers identified selling pressure as the market crumbled.

However, share prices stead-

ied when it was disclosed that there had been official support for sterling and the pound had been strongly against the German mark. The Footsie moved into plus territory and in spite of a slow start on Wall Street, where the Dow showed a fall of 5.71 in UK hours, London was extended its gains in the second half of the trading session.

The final reading put the FT-SE index at 2,456.3 for a net gain on the day of 9.9 points. Sea volume of 416.4m shares, against 536.1m on Friday, bore witness to an uneventful session. Little buying interest was reported when the market staged its recovery from early weakness.

There was some recovery in the retail stocks but this was ascribed largely to a technical

rally in a sector sold on Friday after a US house took a bearish view on prospects for the Christmas selling season. Building stocks, long-suffering casualties of high interest rates in the UK, turned lower again as the uncertainties over sterling cast a cloud over domestic interest rates. While most political analysts doubt that UK base rates will be raised this side of next year's general election, City strategists have virtually abandoned hope of a cut in rates in the foreseeable future.

Mr Chris Dillow at Nomura Research Institute commented that sterling is unlikely to strengthen sufficiently "of its own accord" to permit a further cut in UK base rates while the present ERM band. At Kleinwort Benson Securi-

ties, the economics team believes that currency pressure is likely to intensify as a general election approaches, "even if both the economy and government popularity show a modest improvement".

There was further support yesterday, however, for the attractions of the UK stock market's yield valuation. Mr Richard Kersley at Barclays de Zoete Wedd said that the equity dividend yield is now more than half the yield on long gilts, and that this has "rarely (been) a position to be bearish from."

With effect from today, NEC replaces Hawker Siddeley as a constituent company of the FT-SE 100 index. This follows the announcement that BTR's bid for Hawker Siddeley was wholly unconditional.

## FINANCIAL TIMES STOCK INDICES

	Nov 25	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sept 30	Sept 29	Sept 28	Sept 27	Sept 26	Sept 25	Sept 24	Sept 23	Sept 22	Sept 21	Sept 20	Sept 19	Sept 18	Sept 17	Sept 16	Sept 15	Sept 14	Sept 13	Sept 12	Sept 11	Sept 10	Sept 9	Sept 8	Sept 7	Sept 6	Sept 5	Sept 4	Sept 3	Sept 2	Sept 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	July 31	July 30	July 29	July 28	July 27	July 26	July 25	July 24	July 23	July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 12	July 11	July 10	July 9	July 8	July 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16	February 15	February 14	February 13	February 12	February 11	February 10	February 9	February 8	February 7	February 6	February 5	February 4	February 3	February 2	February 1	January 31	January 30	January 29	January 28	January 27	January 26	January 25	January 24	January 23	January 22	January 21	January 20	January 19	January 18	January 17	January 16	January 15	January 14	January 13	January 12	January 11	January 10	January 9	January 8	January 7	January 6	January 5	January 4	January 3	January 2	January 1
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FINANCIAL TIMES TUESDAY NOVEMBER 26 1991

حکومت "شہل"



LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591
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● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Unit Charge	Cash Price	Unit Price	Unit Price + 5% Yield
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Company Name	Share Price	Dividend	Yield	Market Cap	Volume
N & L Life Assurance Ltd	10.5	0.5	4.8%	£1.2B	100,000
National Mutual Life	12.0	0.6	5.0%	£1.5B	120,000
National Provident Institution	11.0	0.5	4.5%	£1.0B	80,000
Norwich Union Assurance Ltd	13.0	0.7	5.4%	£1.8B	150,000
Prudential Assurance Co Ltd	14.0	0.8	5.7%	£2.0B	180,000
Royal Life Assurance Co Ltd	15.0	0.9	6.0%	£2.2B	200,000
Standard Life Assurance Co Ltd	16.0	1.0	6.3%	£2.5B	220,000
Scottish Life Assurance Co Ltd	17.0	1.1	6.5%	£2.8B	250,000
Scottish Widows' Group	18.0	1.2	6.7%	£3.0B	280,000
Scottish Equitable Life Assn. Soc.	19.0	1.3	6.8%	£3.2B	300,000
Scottish Mutual Assurance Society	20.0	1.4	7.0%	£3.5B	320,000
Scottish National Investments	21.0	1.5	7.1%	£3.8B	350,000
Scottish Widows' Group	22.0	1.6	7.3%	£4.0B	380,000
Scottish Widows' Group	23.0	1.7	7.4%	£4.2B	400,000
Scottish Widows' Group	24.0	1.8	7.5%	£4.5B	420,000
Scottish Widows' Group	25.0	1.9	7.6%	£4.8B	450,000
Scottish Widows' Group	26.0	2.0	7.7%	£5.0B	480,000
Scottish Widows' Group	27.0	2.1	7.8%	£5.2B	500,000
Scottish Widows' Group	28.0	2.2	7.9%	£5.5B	520,000
Scottish Widows' Group	29.0	2.3	8.0%	£5.8B	550,000
Scottish Widows' Group	30.0	2.4	8.1%	£6.0B	580,000
Scottish Widows' Group	31.0	2.5	8.2%	£6.2B	600,000
Scottish Widows' Group	32.0	2.6	8.3%	£6.5B	620,000
Scottish Widows' Group	33.0	2.7	8.4%	£6.8B	650,000
Scottish Widows' Group	34.0	2.8	8.5%	£7.0B	680,000
Scottish Widows' Group	35.0	2.9	8.6%	£7.2B	700,000
Scottish Widows' Group	36.0	3.0	8.7%	£7.5B	720,000
Scottish Widows' Group	37.0	3.1	8.8%	£7.8B	750,000
Scottish Widows' Group	38.0	3.2	8.9%	£8.0B	780,000
Scottish Widows' Group	39.0	3.3	9.0%	£8.2B	800,000
Scottish Widows' Group	40.0	3.4	9.1%	£8.5B	820,000
Scottish Widows' Group	41.0	3.5	9.2%	£8.8B	850,000
Scottish Widows' Group	42.0	3.6	9.3%	£9.0B	880,000
Scottish Widows' Group	43.0	3.7	9.4%	£9.2B	900,000
Scottish Widows' Group	44.0	3.8	9.5%	£9.5B	920,000
Scottish Widows' Group	45.0	3.9	9.6%	£9.8B	950,000
Scottish Widows' Group	46.0	4.0	9.7%	£10.0B	980,000
Scottish Widows' Group	47.0	4.1	9.8%	£10.2B	1,000,000
Scottish Widows' Group	48.0	4.2	9.9%	£10.5B	1,020,000
Scottish Widows' Group	49.0	4.3	10.0%	£10.8B	1,050,000
Scottish Widows' Group	50.0	4.4	10.1%	£11.0B	1,080,000
Scottish Widows' Group	51.0	4.5	10.2%	£11.2B	1,100,000
Scottish Widows' Group	52.0	4.6	10.3%	£11.5B	1,120,000
Scottish Widows' Group	53.0	4.7	10.4%	£11.8B	1,150,000
Scottish Widows' Group	54.0	4.8	10.5%	£12.0B	1,180,000
Scottish Widows' Group	55.0	4.9	10.6%	£12.2B	1,200,000
Scottish Widows' Group	56.0	5.0	10.7%	£12.5B	1,220,000
Scottish Widows' Group	57.0	5.1	10.8%	£12.8B	1,250,000
Scottish Widows' Group	58.0	5.2	10.9%	£13.0B	1,280,000
Scottish Widows' Group	59.0	5.3	11.0%	£13.2B	1,300,000
Scottish Widows' Group	60.0	5.4	11.1%	£13.5B	1,320,000
Scottish Widows' Group	61.0	5.5	11.2%	£13.8B	1,350,000
Scottish Widows' Group	62.0	5.6	11.3%	£14.0B	1,380,000
Scottish Widows' Group	63.0	5.7	11.4%	£14.2B	1,400,000
Scottish Widows' Group	64.0	5.8	11.5%	£14.5B	1,420,000
Scottish Widows' Group	65.0	5.9	11.6%	£14.8B	1,450,000
Scottish Widows' Group	66.0	6.0	11.7%	£15.0B	1,480,000
Scottish Widows' Group	67.0	6.1	11.8%	£15.2B	1,500,000
Scottish Widows' Group	68.0	6.2	11.9%	£15.5B	1,520,000
Scottish Widows' Group	69.0	6.3	12.0%	£15.8B	1,550,000
Scottish Widows' Group	70.0	6.4	12.1%	£16.0B	1,580,000
Scottish Widows' Group	71.0	6.5	12.2%	£16.2B	1,600,000
Scottish Widows' Group	72.0	6.6	12.3%	£16.5B	1,620,000
Scottish Widows' Group	73.0	6.7	12.4%	£16.8B	1,650,000
Scottish Widows' Group	74.0	6.8	12.5%	£17.0B	1,680,000
Scottish Widows' Group	75.0	6.9	12.6%	£17.2B	1,700,000
Scottish Widows' Group	76.0	7.0	12.7%	£17.5B	1,720,000
Scottish Widows' Group	77.0	7.1	12.8%	£17.8B	1,750,000
Scottish Widows' Group	78.0	7.2	12.9%	£18.0B	1,780,000
Scottish Widows' Group	79.0	7.3	13.0%	£18.2B	1,800,000
Scottish Widows' Group	80.0	7.4	13.1%	£18.5B	1,820,000
Scottish Widows' Group	81.0	7.5	13.2%	£18.8B	1,850,000
Scottish Widows' Group	82.0	7.6	13.3%	£19.0B	1,880,000
Scottish Widows' Group	83.0	7.7	13.4%	£19.2B	1,900,000
Scottish Widows' Group	84.0	7.8	13.5%	£19.5B	1,920,000
Scottish Widows' Group	85.0	7.9	13.6%	£19.8B	1,950,000
Scottish Widows' Group	86.0	8.0	13.7%	£20.0B	1,980,000
Scottish Widows' Group	87.0	8.1	13.8%	£20.2B	2,000,000
Scottish Widows' Group	88.0	8.2	13.9%	£20.5B	2,020,000
Scottish Widows' Group	89.0	8.3	14.0%	£20.8B	2,050,000
Scottish Widows' Group	90.0	8.4	14.1%	£21.0B	2,080,000
Scottish Widows' Group	91.0	8.5	14.2%	£21.2B	2,100,000
Scottish Widows' Group	92.0	8.6	14.3%	£21.5B	2,120,000
Scottish Widows' Group	93.0	8.7	14.4%	£21.8B	2,150,000
Scottish Widows' Group	94.0	8.8	14.5%	£22.0B	2,180,000
Scottish Widows' Group	95.0	8.9	14.6%	£22.2B	2,200,000
Scottish Widows' Group	96.0	9.0	14.7%	£22.5B	2,220,000
Scottish Widows' Group	97.0	9.1	14.8%	£22.8B	2,250,000
Scottish Widows' Group	98.0	9.2	14.9%	£23.0B	2,280,000
Scottish Widows' Group	99.0	9.3	15.0%	£23.2B	2,300,000
Scottish Widows' Group	100.0	9.4	15.1%	£23.5B	2,320,000



[illegible]



## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Sterling continues to weaken

STERLING continued to weaken yesterday despite widespread speculation that three European central banks - including the Bundesbank - had been intervening in the jittery foreign exchange markets.

The pound had fallen to below DM2.84 and was threatening to head even lower when word spread around the market that central banks had been buying the UK currency.

It was suggested, however, that the Bundesbank had been supporting sterling which pushed it back above Friday's closing level of DM2.85.

The support from the Bank of England and the Bank of France also helped the pound and led to suggestions that concerted intervention from the European central banks was under way.

At one stage sterling was trading as high as DM2.8550, while against the dollar its gains were even more striking. It reached \$1.8075, up over 100 points on the day and above the psychologically important \$1.80 level.

Later on the pound gave up its gains as the unnamed UK Treasury official was reported as saying that the Bundesbank had been merely engaged in routine commercial operations.

When asked for confirmation of this, the Treasury refused to comment. Nevertheless, the

pound remained depressed and it closed below DM2.85.

Senior currency dealers believed that the intervention from the Bank of France had also been a commercial operation.

But the support from the Bank of England was said to be genuine intervention and many currency analysts expect the Bank to continue to attempt to stop the pound falling further.

Part of sterling's weakness was seen as D-Mark strength. Yesterday the Bank of Italy was forced to defend its currency.

The decline in the US dollar was also a factor undermining the pound as investment funds flowed into Germany, weakening all the other European ERM currencies as a result.

However, analysts also agreed that sterling was coming under pressure because of the weakness of the UK economy.

nomie recovery and continuing disagreements within the Conservative party over Europe.

Sterling closed earlier at DM2.8475 from DM2.8500; at SF2.5350 from SF2.5375; at Y200.00 from Y202.75; and at FF47.400 from FF47.450.

Its index finished at 90.6, down 0.2. In New York the pound shed 60 points to end at \$1.7935.

The yen further strengthened yesterday after Mr Yasuhiro Mieno, governor of the Bank of Japan, said the yen should have a "higher tone".

Dealers believed this coincided with US government policy, which favoured a weaker dollar to help restore the competitiveness of the American export industry.

Selling pressure on the dollar, however, was only said to be mild and it closed lower at DM4.1580 from DM4.1650 and at Y127.75 from Y128.50.

## EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Rate	% Change	% Spread	Discrepancy
Belgium	100 B	130.28	-2.52	4.97	42
France	100 F	136.55	-1.01	3.97	42
Germany	100 M	136.55	-1.01	3.97	42
Italy	100 L	136.55	-1.01	3.97	42
Netherlands	100 G	136.55	-1.01	3.97	42
Spain	100 P	136.55	-1.01	3.97	42
UK	100 S	136.55	-1.01	3.97	42
US	100 D	136.55	-1.01	3.97	42
Japan	100 Y	136.55	-1.01	3.97	42
Switzerland	100 C	136.55	-1.01	3.97	42
Sweden	100 K	136.55	-1.01	3.97	42
Denmark	100 D	136.55	-1.01	3.97	42
Greece	100 D	136.55	-1.01	3.97	42
Portugal	100 R	136.55	-1.01	3.97	42
Finland	100 M	136.55	-1.01	3.97	42
Ireland	100 P	136.55	-1.01	3.97	42
Austria	100 S	136.55	-1.01	3.97	42
Luxembourg	100 F	136.55	-1.01	3.97	42
Belgium	100 B	136.55	-1.01	3.97	42
France	100 F	136.55	-1.01	3.97	42
Germany	100 M	136.55	-1.01	3.97	42
Italy	100 L	136.55	-1.01	3.97	42
Netherlands	100 G	136.55	-1.01	3.97	42
Spain	100 P	136.55	-1.01	3.97	42
UK	100 S	136.55	-1.01	3.97	42
US	100 D	136.55	-1.01	3.97	42
Japan	100 Y	136.55	-1.01	3.97	42
Switzerland	100 C	136.55	-1.01	3.97	42
Sweden	100 K	136.55	-1.01	3.97	42
Denmark	100 D	136.55	-1.01	3.97	42
Greece	100 D	136.55	-1.01	3.97	42
Portugal	100 R	136.55	-1.01	3.97	42
Finland	100 M	136.55	-1.01	3.97	42
Ireland	100 P	136.55	-1.01	3.97	42
Austria	100 S	136.55	-1.01	3.97	42
Luxembourg	100 F	136.55	-1.01	3.97	42

Unit rates are set by the European Commission. Currencies are in descending order of strength. Percentage change is for the day. A positive change shows a weak currency. Discrepancy shows the difference between the actual market rate and the official rate. The percentage deviation of the market rate from the official rate is shown in the last column.

Adjusted: calculated by Financial Times.

## C IN NEW YORK

	Nov 25	Nov 26	Nov 27
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935

Unit rates are set by the European Commission. Currencies are in descending order of strength. Percentage change is for the day. A positive change shows a weak currency. Discrepancy shows the difference between the actual market rate and the official rate. The percentage deviation of the market rate from the official rate is shown in the last column.

Adjusted: calculated by Financial Times.

## DOLLAR SPOT - FORWARD AGAINST THE POUND

	Nov 25	Nov 26	Nov 27
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935

Unit rates are set by the European Commission. Currencies are in descending order of strength. Percentage change is for the day. A positive change shows a weak currency. Discrepancy shows the difference between the actual market rate and the official rate. The percentage deviation of the market rate from the official rate is shown in the last column.

Adjusted: calculated by Financial Times.

## EURO CURRENCY INTEREST RATES

	Nov 25	Nov 26	Nov 27
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935

Unit rates are set by the European Commission. Currencies are in descending order of strength. Percentage change is for the day. A positive change shows a weak currency. Discrepancy shows the difference between the actual market rate and the official rate. The percentage deviation of the market rate from the official rate is shown in the last column.

Adjusted: calculated by Financial Times.

## EXCHANGE CROSS RATES

	Nov 25	Nov 26	Nov 27
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935

Unit rates are set by the European Commission. Currencies are in descending order of strength. Percentage change is for the day. A positive change shows a weak currency. Discrepancy shows the difference between the actual market rate and the official rate. The percentage deviation of the market rate from the official rate is shown in the last column.

Adjusted: calculated by Financial Times.

## OTHER CURRENCIES

	Nov 25	Nov 26	Nov 27
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935
100 S	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 Y	1.7935	1.7935	1.7935
100 C	1.7935	1.7935	1.7935
100 K	1.7935	1.7935	1.7935
100 D	1.7935	1.7935	1.7935
100 R	1.7935	1.7935	1.7935
100 M	1.7935	1.7935	1.7935
100 L	1.7935	1.7935	1.7935
100 G	1.7935	1.7935	1.7935
100 P	1.7935	1.7935	1.7935

Unit rates are set by the European Commission. Currencies are in descending order of strength. Percentage change is for the day. A positive change shows a weak currency. Discrepancy shows the difference between the actual market rate and the official rate. The percentage deviation of the market rate from the official rate is shown in the last column.

Adjusted: calculated by Financial Times.

## UK clearing bank base lending rate

10.5 per cent from September 4, 1991

## MONEY MARKETS

## UK rates ease

LONDON money market rates were slightly easier yesterday after sterling was helped by central bank intervention. The key three months inter-bank rate finished 4 points lower at 10.5 per cent.

Sterling's rise led to some talk in the futures markets about a reduction in interest rates. But by the end of the session sterling had fallen back after a Treasury official was reported as saying that the Bundesbank had not been defending sterling.

This came too late for the money markets which had

which closely shadows the level of bank base rates - was around 1 point above the level of interest rates. Dealers said this indicated the next move in UK rates may be upwards.

The futures market was also certain that there is unlikely to be an immediate change in monetary policy. The three month sterling contract rose one point to 89.64 - indicating base rates at just under 10 1/2 per cent by the end of March next year.

There was little immediate pressure on liquidity in the UK markets, with the Bank of England able to supply sufficient cash to offset the day's shortage.

A £1.25bn shortage was revised to £1.15bn and this was met with early assistance of £891m; a further £231m was provided before lunch, and later on another £241m of help was given.

In other money markets, rates tended to be firmer, particularly in Europe. The rise of the D-Mark and talk of higher German rates has dragged money rates up throughout the Continent.

The latest cost of living figures from Germany fuelled worries about higher rates.

A 0.5 per cent rise in the month to the middle of November in the cost of living in North Rhine-Westphalia was particularly unsettling for the markets and led to fears of inflation.

## FT LONDON INTERBANK FIXING

11.00 a.m. Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

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Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months US dollars

Nov 25 3 months



WORLD STOCK MARKETS

الشرق الأوسط

Table with 3 columns: Country, Stock Name, Price. Includes sections for Austria, Belgium/Luxembourg, Denmark, France, Germany, Italy, Japan, and the UK.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Germany, Italy, Japan, and the UK.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Netherlands, Sweden, Switzerland, and Taiwan.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Canada, Hong Kong, and Singapore.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Canada, Hong Kong, and Singapore.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Denmark, France, Germany, Italy, Japan, and the UK.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Germany, Italy, Japan, and the UK.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Netherlands, Sweden, Switzerland, and Taiwan.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Canada, Hong Kong, and Singapore.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Canada, Hong Kong, and Singapore.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Japan, UK, and other international markets.

Table with 3 columns: Country, Stock Name, Price. Includes sections for Japan, UK, and other international markets.

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on next page



## 4.00 per price November 29

[illegible]

## 4:00 pm prices November 25

[illegible]

## CHARITIES

The FT proposes to publish this survey on December 19th 1991. It will be of considerable interest to senior management, solicitors and wealthy individuals who read the FT. In addition to appearing in the paper this survey will be sent to the Chief Executives of the UK's Top 500 companies. If you want to reach this important audience, call

Jessica Perry  
on 071 873 4611  
or fax 071 873 3062

Data source: BMRB 1990



**FINANCIAL TIMES**  
EUROPE & BUSINESS NEWSPAPER



## AMERICA

## Dow remains within narrow trading range

## Wall Street

A WEEK that will be shortened by Thursday's Thanksgiving holiday started limply yesterday, with the key indices closing virtually unchanged at the end of a subdued trading session, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average of 30 blue chip constituents was down just 0.67 at 2,502.06. The more broadly based Standard & Poor's 500 also ended marginally easier, off 0.81 at 375.33, although overall declines outnumbered advances by 1.6 to 3.9 as sellers still prevailed after last week's weakness. The Nasdaq composite of over-the-counter stocks gave up the most ground, declining 3.58 to 322.88.

Turnover on the New York SE was light by recent standards at 175m shares. A lack of confidence in the US economic recovery continued to influence stock market sentiment. Shares opened noticeably weaker on the heels of similar losses in European and Far East markets, but gradually picked up.

News of yet more poor sales at leading car manufacturers did not help the market, nor did a generally pessimistic 1992 economic forecast from Merrill Lynch. Wall Street's biggest brokerage house.

The big three car producers were mixed in the way of another round of 10-day car sales. Ford eased 5% to 324k and General Motors gave up 3% to 320k, but Chrysler held steady at 311k.

Among individual stocks, Tennessee closed 1% to 32.74 in active trading on news that the company has agreed to sell its natural gas liquids business to Enron for \$632m. The sale is part of Tennessee's \$2bn action plan to sell the group's non-core businesses. Enron declined 1% to 57.

Advanco rose initially but ended unchanged at 13.13 on 1.7m shares traded in a late reaction to Friday's announcement that fourth-quarter sales of its chips would

exceed expectations, and that overall sales and earnings for the final three months of the year would be better than market forecasts.

Countrywide Credit fell 32% to 33 1/4 on warnings that mortgage refinancing, which had contributed to the company's good earnings this year, might soon peak.

Micron Technology gained 1% to 13 1/4 on the back of a recommendation from Goldman Sachs, the brokerage house. Cooper Tire & Rubber put on 3% to 39 3/4 on news that the company had reached a new labour agreement with union leaders.

A strong rise in fiscal first-quarter earnings from \$1.76 a share to \$2.02 this year boosted Litton Industries, the defence and marine systems group, by 5% to 86 1/4. North American Biologicals jumped \$1 1/4 to \$3 1/4 after its product used in testing for the HIV virus was approved for distribution by the Food and Drug Administration.

**Canada**  
PENNY stocks made a strong climb to the top of Toronto's most active list but were unable to counter broad weakness in the market. Trade was subdued ahead of Thursday's US Thanksgiving holiday. The composite index dipped 8.4 to end at 3,443.5, with declining issues outnumbering rises by 21 to 197. Volume came to 21.2m shares.

First City Financial lost 33 1/4 to 34 1/4 in the last month period, including an undisclosed amount in write-downs, against a deficit of \$165.8m a year before. The stock was off 3 cents at 14 cents.

**SOUTH AFRICA**  
A STEADY bullion price around \$368 an ounce pushed gold shares sharply higher in Johannesburg. The all-gold index jumped 45 or 3.7 per cent to 1,374, helping the overall index rise 14 to 3,538. The industrials rose 6 to 4,208.

## France and Scandinavia lead continental retreat

## MARKETS IN PERSPECTIVE

	% change in local currency	% change in US \$	% change in UK £
	1 Week	4 Weeks	1 Year
Austria	+1.22	+2.04	-5.38
Belgium	-0.54	+0.55	+3.74
Denmark	-2.38	-2.57	+13.28
Finland	-6.38	-3.28	-7.41
France	-6.28	-4.21	+9.10
Germany	-1.43	+1.81	+1.71
Ireland	-3.15	-2.70	+13.43
Italy	-2.08	-1.49	+2.60
Netherlands	-2.85	-0.38	+15.23
Norway	-2.77	-8.42	-8.51
Spain	-1.47	-6.58	+8.03
Sweden	-5.01	-11.83	+12.52
Switzerland	-4.87	-1.57	+20.25
UK	-3.98	-3.01	+15.03
USA	-3.55	-2.41	+10.48
Australia	-2.16	-0.42	+20.89
Hong Kong	-0.29	+7.25	+43.22
Japan	-2.31	-6.01	+5.77
Malaysia	-1.16	+2.28	+7.61
New Zealand	-1.17	+0.35	+8.57
Singapore	-0.75	+3.34	+29.59
Canada	-2.16	+0.47	+8.29
USA	-1.80	+1.53	+20.01
Mexico	-5.30	+1.53	+14.59
South Africa	+0.34	+2.19	+30.73
World Index	-2.32	-3.71	+13.21

## EUROPE

## Milan brings in screen-based dealing as bourses fall

GOOD NEWS was restricted yesterday to Milan, which successfully introduced screen-based trading as most bourses fell sharply, writes Our Market Staff.

MILAN'S screen-based trading took in a limited number of stocks. They included Fiat preferred shares, and the ordinary shares of Ferruzzi Finanziaria, Banca Commerciale Italiana, Cir and Ras.

Dealers said that the system started about 45 minutes late but that no technical problems had emerged. Indeed, 424,000 shares in Fiat preferred shares were traded via the screen, compared with 80,000 Fiat ordinary shares by open outcry.

The general tone of the market, however, remained depressed. There were continued fears that more stockbroker bankruptcies would emerge, which could temper the settlement of the November trading account on Friday.

Volume was estimated at a paltry 1,600m after Friday's 1,700m. The Commit index eased 0.28 to 506.80. A spokesman at

FT-SE Eurotrack 100 - Nov 25									
Hourly changes					Daily High 1062.66				
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close	Nov 22	Nov 21
1060.35	1060.01	1058.98	1059.55	1060.50	1062.12	1060.84	1060.67	1065.94	1071.57
					Nov 20				
					1076.00				
					Nov 19				
					1075.11				
					Nov 18				
					1084.16				

Banka Commerciale Italiana, which produces the index, said that the average traded price would be taken for the calculation of screen-traded shares. Ras gained 14.18 to 118.30 in heavy trading of 143,500 shares. BRUSSELS fell 2.4 per cent following the poor showing of the mainstream parties in Sunday's general election. The Bel20 index lost 25.93 to 1,070.05 in volume of 8,800m. But dealers said most of the selling was professional and they saw little selling by domestic or international institutions.

Cyclical shares were particularly weak, on fears that the time needed to form a coalition

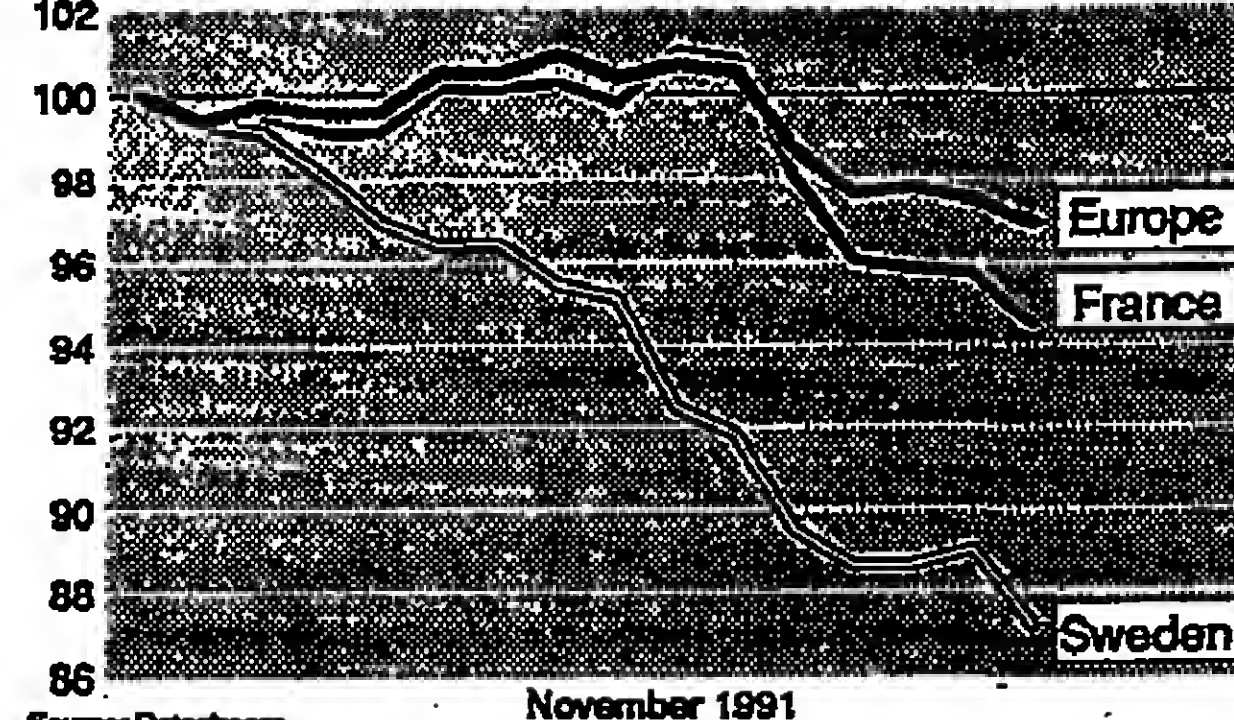
## By William Cochrane

EUROPEAN performance or the lack of it, depressed the FT-Actuaries World Indices last week. Continental bourses opened weak, reacting to the near 120-point drop in the Dow Jones Industrial Average on Wall Street on Friday, November 15, but some of them added refinements of their own.

France had been a critical success among analysts and strategists earlier this year. But it emerged from last Monday as one of the weakest markets in Europe, with the CAC 40 index down by 3 per cent on the day. The French had added a painful twist to the Wall Street news with an unexpected increase in domestic interest rates, just one month after the Bank of France had lowered them.

Mr Andrew Bell, director of European strategy at Barclays de Zoete Wedd in London, says the 6.5 per cent fall in France last week was entirely attributable to the interest rate move, but that the decline should be seen in the context of relative

## FT-A World Indices in local currencies rebased



strength in French equities between June and the middle of October, while Germany went sideways or down. After October's fall in interest rates, France was caught first by the autonomous strengthening in the D-Mark and the weakening in the dollar, says Mr Bell, and secondly by the prospect of German interest rates going up, or at least staying where they are for months, rather than weeks. "The French," adds Mr Bell, "simply overplayed their

hand." BZW, however, tends to the view that last week's events will underpin arguments for the French bond market, and may allow strategists to take a more positive line on equities from now on.

Scandinavia had another bad week. When Norway fell 4 per cent on Monday alone, it looked as if the country's banking malaise was turning a feeling of general depression into a rout. But strength in oils and shipping, and gambling in Danish Bank shares, helped the

tender shed Pta175 or 4.1 per cent to Pta1,105, and Bankinter lost Pta160 to Pta670.

Mr Jose Manuel Arriaga, head of research at Asesoros Bursatiles, the broker, said that market sentiment was likely to remain negative in the short term, as a rate cut was unlikely before the second quarter of next year. He added, however, that there were now good buying opportunities for the medium term, particularly among the banks.

ZURICH stayed weak, the Credit Suisse index falling 9.0 or 1.9 per cent to 4,697 in this volume. Aida bearsers had SPFR1 in a 1991 low of SPFR65, against a high of SPFR1,002.

AMSTERDAM lost 1.3 per cent, depressed by the weaker dollar. The CBS Tendency index closed down 1.2 at 89.3, after trading was interrupted in the morning by a bomb scare. Eindhoven dropped F12.40 or 4.8 per cent to F147.70.

FRANKFURT fell 0.7 per cent, the DAX index closing 11.10 lower at 1,588.16 after a

6.24 decline to 652.85 in the FAZ at mid-session. There was profit-taking in speculative stocks, Continental losing DM5.30 to DM24.20, and in sectors like Hilti and construction which have traded at a premium this year.

Volume fell from DM4.30m to DM3.50m on its third quarter figures, but the news had little impact on the stock, which fell DM3.80 to DM27.20 on fears that its own progress report, due today, could be similarly disappointing.

PARIS was flat on the first day of the new monthly trading account. The CAC 40 closed 1.91 higher at 1,743.25. Turnover slumped to FF11.9m from FF13.3m.

Pinault, the industrial group, was suspended at Friday's FF259. It said that it had bought a 40.6 per cent stake in An Printemps, the department store, from Mans Freres of Switzerland and would make a tender offer to raise its holding to two thirds. An Printemps was suspended at FF645.

STOCKHOLM fell in this trading. The Affarsvariden General index lost 7.7 to 935.1 in turnover of SKR263m, down from SKR448m.

Esselte free Bs fell SKR9 or 7.5 per cent to SKR115 after Friday's nine-month results. Investor and Providenta, the Wallenbergs' investment units, were suspended for the news that they are to be merged.

Esselte free B shares lost SKR15 or 8.8 per cent to SKR166 after their suspension on Friday, when Norway's Storebrand and Denmark's Hatria paid they would acquire options to buy 23.3 per cent of the Swedish insurer.

ORLO dropped 2.3 per cent as the all-share index fell 9.29 to 4,222.50. UNI Storebrand lost NK22 to NK44. COPENHAGEN was pulled lower by the bank sector. The bourse index shed 4.94 or 3.4 per cent to 355.00. Breda Breda lost DKR22 to a year's low of DKR445.

ISTANBUL jumped another 9.7 per cent after last week's 20 per cent rally. The 75-share index gained 383.6 to 4,119.06.

## ASIA PACIFIC

## Nikkei extends losing streak to ninth day

## Tokyo

THE NIKKEI average extended its losing streak to the ninth trading day, the Nikkei 225 of consecutive falls since 1988, writes Emiko Terazono in Tokyo.

The 225-issue index shed 248.70 to 22,558.65, moving below 23,000 for the first time since September 12. It opened at the day's high of 23,071.95 and fell to a low of 22,762.81.

Arbitrage-related selling in lacklustre trading pushed share prices down. Activity was limited to arbitrage trading by some dealers and volume slumped to 170m shares from Friday's 240m. Losers outnumbered winners by 712 to 241, with 175 issues unchanged. The Topix index of all first section stocks slipped 14.44 to 1,750.33, although in London trading, the ISB/Nikkei 225 index eased just 0.21 to 1,305.32.

Contrary to concern that the Nikkei average would plunge once the 23,000 milestone had been broken, light buying supported the index around the 22,800 level. However, disappointment prevailed, and sentiment remained weak.

Leading blue chip issues lost fresh ground because of the cloudy earnings outlook for several of them. Hitachi dipped Y5 to Y900 and Fujitsu declined Y5 to Y930.

The failure of the recent new listings in the over-the-counter market and the second section have also added to the pessimism. Sony Music Entertainment, which did not trade on its debut last Friday owing to the lack of buyers, closed at Y5,210 yesterday, down 23 per cent from its pre-listing auction price. Sony, the parent company, renewed its year's low at Y4,430, down Y70.

Most speculative stocks rebounded on profit-taking. Iwasaki Electric moved up sharply in the morning session on rumours of speculative interest, but later dropped to close a net Y20 off at Y960.

Suntomo Metal Mining was one of the few bright spots on the day, gaining Y20 at Y1,140. Investors were encouraged by strong upward movements in metal prices, especially gold. Last week's report that the Soviet Union might use gold as collateral for its debt prompted popularity in mining-related issues.

In Osaka, the OSE average closed 198.20 down at 24,836.11 on volume of 66.1m shares. Small-list selling pushed the index down for the eighth consecutive day, its longest losing run in three years.

## Roundup

THE WEAKNESS of Wall Street and Tokyo weighed on most Pacific Rim markets yesterday.

AUSTRALIA was depressed by the falls on overseas markets. The All Ordinaries index finished 26.7 or 1.5 per cent off at 1,618.2 in turnover of A\$201m, down from A\$222m.

NEW ZEALAND also declined, but the market was supported by strength in Carter Holt Harvey, after Friday's news that International Paper, of the US, is buying a 16 per cent stake in the company.

day's news that International Paper, of the US, is buying a 16 per cent stake in the company. Carter Holt rose 8 cents to NZ\$22.22 on 3.6m shares traded, as the NZ\$200 index rose 8.32 to 1,507.71. Turnover amounted to NZ\$19.6m, against Friday's NZ\$23.3m.

HONG KONG eased in modest trading. The Hang Seng index lost 22.33 to 4,220.74 in turnover of HK\$1,870m, down from HK\$1,350m. What's more, the index fell 1.5 per cent to HK\$11 after Friday's announcement that it was acquiring the government's stake in the Cross-Harbour Tunnel Co.

BANGKOK rose on news of further amendments to the draft constitution. The SET index climbed 11.89 or 1.5 per cent to 688.96.

SINGAPORE'S Straits Times Industrial index lost 15.24 to 1,440.78 in quiet trading, while the LUMPUR composite index slipped 1.66 to 87.58. The Malaysian market was supported by late bargain hunting, although volume remained thin at 23m shares, after 25m.

SEOUL declined for the fourth consecutive trading session. The composite index ended 4.19 lower at 656.38.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 25 1991										FRIDAY NOVEMBER 22 1991										DOLLAR INDEX	
	Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Point Starting Index	Yen Index	DM Index	Local Currency Index	Local % change on day	Gross Div. Yield	US Dollar Index	Point Starting Index	Yen Index	DM Index	Local Currency Index	Local % change on day	1991 High	1991 Low	Year ago (approx)				
Australia (69)	153.23	-1.9	126.24	123.74	126.11	126.67	-1.9	4.56	159.21	128.61	127.87	128.77	131.23	160.31	112.74	123.63						
Austria (22)	172.82	-1.5	143.29	140.45	143.14	143.29	-1.7	2.20	178.49	145.53	144.48	145.48	145.70	222.37	133.86	158.20						
Belgium (47)	125.84	-1.1	111.59	109.78	111.57	109.45	-1.3	5.41	137.45	113.34	112.51	113.30	110.84	151.20	118.04	136.85						
Canada (115)	136.74	-0.6	112.66	110.41	112.63	112.82	-0.5	3.30	137.56	113.43	112.62	113.39	111.35	144.28	126.49	125.09						
Denmark (37)	258.52	-1.5	212.99	208.77	212.76	216.51	-1.8	1.85	258.59	216.82	214.96	216.45	220.45	270.56	217.74	245.03						
Finland (15)	79.03	-0.9	65.11	63.32	65.04	71.29	-0.2	7.73	63.77	65.79	65.75	65.75	71.45	125.15	79.03	103.52						
France (109)	141.95	-0.2	116.96	114.62	116.81	120.59	-1.0	3.68	147.73	116.67	116.01	116.82	120.00	152.25	118.11	138.22						
Germany (65)	174.53	-0.7	143.83	140.78	143.48	173.46	-0.7	4.28	175.57	144.77	144.72	144.73	174.99	176.14	119.62	122.09						
Hong Kong (55)	160.59	+1.0	132.39	129.77	132.25	134.28	-1.3	3.73	162.35	133.87	132.97	133.58	129.85	142.85	129.81	129.81						
Ireland (16)	71.81	+0.2	59.19	57.99	59.10	64.21	+0.1	3.61	71.54	59.07	58.64	59.05	54.17	88.23	64.76	77.78						
Japan (474)	135.38	+0.5	111.54	109.32	111.43	109.32	-0.8	0.78	134.69	111.06	110.25	111.04	110.25	146.97	118.23	129.88						
Malaysia (88)	205.58	-0.2	170.20	168.51	170.01	217.55	-0.4	2.88	207.13	170.75	169.55	170.73	212.54	247.78	188.18	193.01						
Mexico (17)	100.29	-0.5	100.20	100.54	100.51	141.41	-0.4	1.18	100.21	100.58	100.50	100.53	100.53	100.53	100.53	100.53						
Netherlands (31)	147.06	-0.8	121.18	118.75	121.03	119.71	-1.0	4.51	148.25	122.25	121.35	122.21	120.85	148.25	120.70	133.19						
New Zealand (14)	48.94	-0.0	40.32	39.52	40.28	45.73	-0.1	6.08	49.93	40.28	40.28	40.28	40.28	45.73	45.73	45.73						
Norway (30)	177.82	-1.9	146.50	143.50	146.35	150.67	-2.0	2.62	181.25	143.45	143.07	143.41	143.41	223.24	172.25	215.20						
Singapore (86)	207.88	-0.5	171.27	167.87	171.08	158.40	-0.9	2.20	208.84	172.20	171.25	172.14	159.55	213.93	151.60	155.97						
South Africa (51)	271.99	+0.6	224.09	219.63	223.84	179.34	+0.6	2.74	270.25	222.25	221.23	222.77	178.20	271.99	173.00	178.98						
Spain (35)	147.02	-0.2	121.13	118.72	120.99	112.83	-1.1	4.88	148.13	122.14	121.25	122.12	114.37	171.12	131.51	144.11						
Sweden (25)	185.27	-1.4	160.38	157.33	159.78	144.42	-1.7	1.03	170.73	140.78	139.76	140.73	140.73	204.12	146.30	154.99						
Switzerland (55)	95.57	-0.3	73.74	71.18	73.68	83.45	-1.1	2.42	96.48	73.56	73.56	73.56	84.40	100.57	82.17	57.12						
United Kingdom (249)	176.87	+0.4	145.72	142.82	145.55	145.72	+0.3	5.12	176.11	145.22	144.15	145.15	152.27	187.44	125.57	169.30						
USA (526)	152.63	-0.3	125.76	123.28	125.62	137.05	-0.3	3.18	153.07	125.22	125.31	125.18	155.27	159.49	125.95	127.71						
Australia (626)	141.15	-0.1	116.29	113.98	116.67	116.97	-0.3	4.12	141.56	115.58	115.72	115.83	117.30	151.52	126.50	137.83						
Nordest (107)	175.81	-1.5	144.83	141.98	144.69	143.75	-1.7	2.22	176.28	142.23	140.18	142.13	145.20	200.61	129.55	170.74						
Pacific Basin (718)	138.79	-0.7	114.35	112.07	114.22	114.54	-0.5	2.34	138.59	114.27	114.31	114.23	115.18	147.86	121.29	132.98						
North America (541)	151.57	-0.3	124.88	122.41	124.78	149.95	-0.3	3.19	152.03	125.36	124.46	125.34	150.49	160.44	126.91	127.45						
Europe Ex. UK (558)	119.73	-0.6	96.64	94.70	96.56	100.40	-0.8	3.39	120.42	99.30	99.36	99.32	101.20	129.90	101.48	118.29						
Pacific Ex. Japan (444)	149.38	-0.1	123.00	120.63	122.93	131.58	-0.4	4.14	150.27	123.00	122.93	123.00	123.00	151.54	111.40	118.29						
World Ex. UK (1223)	140.84	-0.1	115.87	113.58	115.76	126.74	-0.6	2.37	140.74	116.05	115.22	116.03	125.43	146.16	120.10	126.60						
World Ex. S. & C. (2202)	142.83	-0.3	117.75	115.43	117.84	127.18	-0.5	2.68	142.97	117.89	117.94	117.96	127.83	146.85	122.92	130.10						
World Ex. Japan (1788)	148.63	-0.3	123.28	120.84	123.16	137.70	-0.3	3.55	150.03	123.71	122.83	123.69	135.16	155.59	126.95	131.95						
The World Index (2283)	143.80	+0.0	118.47	116.12	118.35	137.55	-0.5	2.86	143.88	119.29	117.74	117.56	123.25	149.37	123.10	130.39						